By Mr. WILLIAMS of Illinois: A bill (H. R. 9094) granting a pension to Nancy A. Thornton; to the Committee on Invalid Pensions.

By Mr. GREENWOOD: Resolution (H. Res. 129) to pay Elizabeth Angleton, daughter of James H. Shouse, six months' salary and $250 to defray the funeral expenses of the said James H. Shouse; to the Committee on Accounts.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

605. By Mr. ARENTZ: Petition of the Nevada Bar Association favoring passage by Congress of a bill to fix the salaries of certain judges of the United States; to the Committee on the Judiciary.

606. By Mr. BROWNE: Petition of members of Marathon County Board, asking for light beer and wine; to the Committee on the Judiciary.

607. By Mr. GALLIVAN: Petition of Whittemore Bros. Co., Cambridge, Mass., recommending favorable consideration of House bill 4798, providing for a reorganization of the Government service; to the Committee on the Civil Service.

608. Also, petition of Rust Craft, Publishers (Inc.), Boston, Mass., recommending favorable consideration of House bill 3991, prohibiting the sending of unsolicited merchandise through the mails; to the Committee on the Post Office and Post Roads.

609. By Mr. HICKEY: Petition signed by Mrs. Dora Austin, 749 North Diamond Avenue, South Bend, Ind., and several hundred other citizens of South Bend, Ind., protesting against any proposed legislation that will in any way modify the Volstead Act and liquor laws of the United States; to the Committee on the Judiciary.

610. By Mr. LEAVITT: Resolutions of woman's clubs at Roundup, Hobson, Florence, Hysham, Troy, Whitefish, Glacier Park, Pony, and Helena, Mont., and the Twentieth Century Club of Joliet, Mont., favoring continuance of the provisions of the Sheppard-Towner maternity act; to the Committee on Interstate and Foreign Commerce.

611. By Mr. LINTHICUM: Memorial of the National Association of Merchant Tailors, assembled January 28, 1926, at Hotel Statler, in St. Louis, approving House bill 3936 proposing to repeal the law which puts the National Government in competition with the tailoring trade and alleging that such competition is unfair, most costly, and paternalistic; to the Committee on Naval Affairs.

612. By Mr. MORROW: Petition of Mimbres Valley Farmers' Association, Deming, N. Mex., indorsing the enactment of Senate bill 575, the Gooding-Hoch bill; to the Committee on Interstate and Foreign Commerce.

613. Also, petition of Chavez County Game Protective Association, Roswell, N. Mex., indorsing Senate bill 2015, fish hatchery for New Mexico; to the Committee on the Merchant Marine and Fisheries.

614. By Mr. O'CONNELL of New York: Petition of the Chamber of Commerce of the State of New York, favoring the passage of House bill 6771, for the acquisition or erection of American Government buildings and embassy, legation, and consular buildings, and for other purposes; to the Committee on Foreign Affairs.

615. Also, petition of the American Citizens of Polish Descent of New York City, favoring the passage of House bill 7089; to the Committee on Immigration and Naturalization.

616. Also, petition of the Chamber of Commerce of the State of New York, favoring the passage of Senate bill 94, a bill to protect navigation from obstruction and injury by preventing the discharge of oil into the coastal navigable waters of the United States, and urges upon Congress its enactment into law, that our navigable waters, and water-front property, may be preserved and protected from pollution; to the Committee on Rivers and Harbors.

617. Also, petition of the Chamber of Commerce of the State of New York, opposing the enactment into law of Senate bill 1383 providing for the transfer of certain duties of the Steamboat Inspection Service from the Department of Commerce to the Department of Labor; to the Committee on Interstate and Foreign Commerce.

618. Also, petition of the Chamber of Commerce of the State of New York, favoring the passage of House bill 3853, to establish in the Bureau of Foreign and Domestic Commerce of the Department of Commerce a foreign commerce service of the United States to carry on work as outlined in the bill; to the Committee on Interstate and Foreign Commerce.

619. By Mr. THOMPSON: Petition of farmers of the fifth congressional district of Ohio, opposing proposed amendment No. 6741 to the immigration act of 1924; to the Committee on Immigration and Naturalization.

620. By Mr. TINKHAM: Petition of members of faculty of Boston University, the College of Business Administration, Boston, favoring an amendment to section 15 of the present copyright law; to the Committee on Patents.

SENATE

TUESDAY, *February 9, 1926*

(Legislative day of Monday, February 1, 1926)

The Senate reassembled at 11 o'clock a. m., on the expiration of the recess.

The VICE PRESIDENT. The Senate resumes the consideration of the tax reduction bill.

TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes.

Mr. SMOOT. Mr. President, I ask that the estate tax may be taken up, on page 170 of the bill. I desire to have the amendment stated so that it will be before the Senate.

Mr. KING. Will not my colleague take up the automobile tax?

Mr. SMOOT. I think we had better take up the estate tax and get through with it now.

Mr. MOSES. Mr. President, may I ask the Senator a question?

The VICE PRESIDENT. Does the Senator from Utah yield to the Senator from New Hampshire?

Mr. SMOOT. Certainly.

Mr. MOSES. The Senator suggested last evening that it might be possible to get an arrangement with reference to the tax on alcohol. Has that arrangement been reached?

Mr. SMOOT. Not as yet. I hope to reach it to-day.

The VICE PRESIDENT. The clerk will state the estate tax amendment reported by the committee.

The CHIEF CLERK. Under the heading "Title III.—Estate tax," on page 170, after line 14, strike out:

SEC. 300. When used in this title—

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent:

The term "net estate" means the net estate as determined under the provisions of section 303;

The term "month" means calendar month; and

The term "collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the commissioner.

SEC. 301. (a) In lieu of the tax imposed by Title III of the revenue act of 1924 a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 303) is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this act, whether a resident or nonresident of the United States:

One per cent of the amount of the net estate not in excess of $50,000;

Two per cent of the amount by which the net estate exceeds $50,000 and does not exceed $100,000;

Three per cent of the amount by which the net estate exceeds $100,000 and does not exceed $200,000;

Four per cent of the amount by which the net estate exceeds $200,000 and does not exceed $400,000;

Five per cent of the amount by which the net estate exceeds $400,000 and does not exceed $600,000;

Six per cent of the amount by which the net estate exceeds $600,000 and does not exceed $800,000;

Seven per cent of the amount by which the net estate exceeds $800,000 and does not exceed $1,000,000;

Eight per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $1,500,000;

Nine per cent of the amount by which the net estate exceeds $1,500,000 and does not exceed $2,000,000;

Ten per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $2,500,000;

Eleven per cent of the amount by which the net estate exceeds $2,500,000 and does not exceed $3,000,000;

Twelve per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $3,500,000;

Thirteen per cent of the amount by which the net estate exceeds $3,500,000 and does not exceed $4,000,000;

Fourteen per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

Fifteen per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $6,000,000;

Sixteen per cent of the amount by which the net estate exceeds $6,000,000 and does not exceed $7,000,000;

Seventeen per cent of the amount by which the net estate exceeds $7,000,000 and does not exceed $8,000,000;

Eighteen per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $9,000,000;

Nineteen per cent of the amount by which the net estate exceeds $9,000,000 and does not exceed $10,000,000;

Twenty per cent of the amount by which the net estate exceeds $10,000,000.

(b) The tax imposed by this section shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or Territory or the District of Columbia, in respect of any property included in the gross estate. The credit allowed by this subdivision shall not exceed 80 per cent of the tax imposed by this section, and shall include only such taxes as were actually paid and credit therefor claimed within four years after the filing of the return required by section 304.

SEC. 302. The value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated—

(a) To the extent of the interest therein of the decedent at the time of his death;

(b) To the extent of any interest therein of the surviving spouse, existing at the time of the decedent's death as dower, curtesy, or by virtue of a statute creating an estate in lieu of dower or curtesy;

(c) To the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, in contemplation of or intended to take effect in possession or enjoyment at or after his death, except in case of a bona fide sale for a fair consideration in money or money's worth. Where within two years prior to his death and without such a consideration the decedent has made a transfer or transfers, by trust or otherwise, of any of his property, or an interest therein, not admitted or shown to have been made in contemplation of or intended to take effect in possession or enjoyment at or after his death, and the value or aggregate value, at the time of such death, of the property or interest so transferred to any one person is in excess of $5,000, then, to the extent of such excess, such transfer or transfers shall be deemed and held to have been made in contemplation of death within the meaning of this title;

(d) To the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, where the enjoyment thereof was subject at the date of his death to any change through the exercise of a power, either by the decedent alone or in conjunction with any person, to alter, amend, or revoke, or where the decedent relinquished any such power in contemplation of his death, except in case of a bona fide sale for a fair consideration in money or money's worth. The relinquishment of any such power, not admitted or shown to have been in contemplation of the decedent's death, made within two years prior to his death without such a consideration and affecting the interest or interests (whether arising from one or more transfers or the creation of one or more trusts) of any one beneficiary of a value or aggregate value, at the time of such death, in excess of $5,000, then, to the extent of such excess, such relinquishment or relinquishments shall be deemed and held to have been made in contemplation of death within the meaning of this title;

(e) To the extent of the interest therein held as joint tenants by the decedent and any other person, or as tenants by the entirety by the decedent and spouse, or deposited, with any person carrying on the banking business, in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have been received or acquired by the latter from the decedent for less than a fair consideration in money or money's worth: *Provided*, That where such property or any part thereof, or part of the consideration with which such property was acquired, is shown to have been at any time acquired by such other person from the decedent for less than a fair consideration in money or money's worth, there shall be excepted only such part of the value of such property as is proportionate to the consideration furnished by such other person: *Provided further*, That where any property has been acquired by gift, bequest, devise, or inheritance, as a tenancy by the entirety by the decedent and spouse, then to the extent of one-half of the value thereof, or, where so acquired by the decedent and any other person as joint tenants and their interests are not otherwise specified or fixed by law, then to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants;

(f) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of, or intended to take effect in possession or enjoyment at or after, his death, except in case of a bona fide sale for a fair consideration in money or money's worth; and

(g) To the extent of the amount receivable by the executor as insurance under policies taken out by the decedent upon his own life; and to the extent of the excess over $40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life.

(h) Subdivisions (b), (c), (d), (e), (f), and (g) of this section shall apply to the transfers, trusts, estates, interests, rights, powers, and relinquishment of powers, as severally enumerated and described therein, whether made, created, arising, existing, exercised, or relinquished before or after the enactment of this act, except that the second sentence of subdivision (c) and the second sentence of subdivision (d) shall apply only to transfers and relinquishments made after the enactment of this act.

SEC. 303. For the purpose of the tax the value of the net estate shall be determined—

(a) In the case of a resident, by deducting from the value of the gross estate—

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages upon, or any indebtedness in respect to, property (except, in the case of a resident decedent, where such property is not situated in the United States), to the extent that such claims, mortgages, or indebtedness were incurred or contracted bona fide and for a fair consideration in money or money's worth, losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualty, or from theft, when such losses are not compensated for by insurance or otherwise, and such amounts reasonably required and actually expended for the support during the settlement of the estate of those dependent upon the decedent, as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered, but not including any income taxes upon income received after the death of the decedent, or any estate, succession, legacy, or inheritance taxes;

(2) An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from such donor by gift or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax imposed under the revenue act of 1924, or an estate tax imposed under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such prior decedent as the case may be, and only in the amount of the value placed by the commissioner on such property in determining the value of the gift or the gross estate of such prior decedent, and only to the extent that the value of such property is included in the decedent's gross estate and not deducted under paragraph (1) or (3) of this subdivision;

(3) The amount of all bequests, legacies, devises, or transfers, except bona fide sales for a fair consideration in money or money's worth, in contemplation of or intended to take effect in possession or enjoyment at or after the decedent's death, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes; and

(4) An exemption of $50,000.

(b) In the case of a nonresident, by deducting from the value of that part of his gross estate which at the time of his death is situated in the United States—

(1) That proportion of the deductions specified in paragraph (1) of subdivision (a) of this section which the value of such part bears to the value of his entire gross estate, wherever situated, but in no case shall the amount so deducted exceed 10 per cent of the value of that part of his gross estate which at the time of his death is situated in the United States.

(2) An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from such donor by gift or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax imposed under the revenue act of 1924, or an estate tax imposed under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such prior decedent as the case may be, and only in the amount of the value placed by the commissioner on such property in determining the value of the gift or the gross estate of such prior decedent, and only to the extent that the value of such property is included in that part of the decedent's gross estate which at the time of his death is situated in the United States and not deducted under paragraph (1) or (3) of this subdivision; and

(3) The amount of all bequests, legacies, devises, or transfers, except bona fide sales for a fair consideration, in money or money's worth, in contemplation of or intended to take effect in possession or enjoyment at or after the decedent's death, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used within the United States by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes.

(c) No deduction shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed under section 304 the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

(d) For the purpose of this title, stock in a domestic corporation owned and held by a nonresident decedent shall be deemed property within the United States, and any property of which the decedent has made a transfer, by trust or otherwise, within the meaning of subdivision (c) or (d) of section 302, shall be deemed to be situated in the United States, if so situated either at the time of the transfer, or at the time of the decedent's death.

(e) The amount receivable as insurance upon the life of a nonresident decedent, and any moneys deposited with any person carrying on the banking business, by or for a nonresident decedent who was not engaged in business in the United States at the time of his death, shall not, for the purpose of this title, be deemed property within the United States.

(f) Missionaries duly commissioned and serving under boards of foreign missions of the various religious denominations in the United States, dying while in the foreign missionary service of such boards, shall not, by reason merely of their intention to permanently remain in such foreign service, be deemed nonresidents of the United States, but shall be presumed to be residents of the State, the District of Columbia, or the Territories of Alaska or Hawaii wherein they respectively resided at the time of their commission and their departure for such foreign service.

SEC. 304. (a) The executor, within two months after the decedent's death, or within a like period after qualifying as such, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (1) the value of the gross estate of the decedent at the time of his death, or, in case of a nonresident, of that part of his gross estate situated in the United States; (2) the deductions allowed under section 303; (3) the value of the net estate of the decedent as defined in section 303; and (4) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax.

(b) Return shall be made in all cases where the gross estate at the death of the decedent exceeds $50,000, and in the case of the estate of every nonresident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein, and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate.

SEC. 305. (a) The tax imposed by this title shall be due and payable one year after the decedent's death, and shall be paid by the executor to the collector.

(b) Where the commissioner finds that the payment on the due date of any part of the amount determined by the executor as the tax would impose undue hardship upon the estate, the commissioner may extend the time for payment of any such part not to exceed five years from the due date. In such case the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension.

(c) If the time for the payment is thus extended there shall be collected, as a part of such amount, interest thereon at the rate of 6 per cent per annum from the expiration of six months after the due date of the tax to the expiration of the period of the extension.

(d) The time for which the commissioner may extend the time for payment of the estate tax imposed by Title IV of the revenue act of 1921 is hereby increased from three years to five years.

SEC. 306. As soon as practicable after the return is filed the commissioner shall examine it and shall determine the correct amount of the tax.

SEC. 307. As used in this title in respect of a tax imposed by this title the term "deficiency" means—

(1) The amount by which the tax imposed by this title exceeds the amount shown as the tax by the executor upon his return; but the amount so shown on the return shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency, and decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax; or

(2) If no amount is shown as the tax by the executor upon his return, or if no return is made by the executor, then the amount by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax.

SEC. 308. (a) If the commissioner determines that there is a deficiency in respect of the tax imposed by this title, the executor, except as provided in subdivision (d) or (f), shall be notified of such deficiency by registered mail. Within 60 days after such notice is mailed the executor may file a petition with the Board of Tax Appeals for a redetermination of the deficiency. Except as provided in subdivision (d) or (f) of this section or in section 279 or in section 912 of the revenue act of 1924 as amended, no assessment of a deficiency in respect of the tax imposed by this title and no distraint or proceeding in court for its collection shall be made, begun, or prosecuted until the taxpayer has been notified of such deficiency as above provided, nor until the expiration of such 60-day period, nor, if a petition has been filed with the board, until the decision of the board has become final. The executor, notwithstanding the provisions of section 3224 of the Revised Statutes, may enjoin by a proceeding in the proper court the making of such assessment or the beginning of such proceeding or distraint during the time such prohibition is in force.

(b) If the executor files a petition with the board, the entire amount redetermined as the deficiency by the decision of the board which has become final shall be assessed and shall be paid upon notice and demand from the collector. No part of the amount determined as a deficiency by the commissioner but disallowed as such by the decision of the board which has become final shall be assessed or be collected by distraint or by proceeding in court with or without assessment.

(c) If the executor does not file a petition with the board within the time prescribed in subdivision (a) of this section, the deficiency of which the executor has been notified shall be assessed, and shall be paid upon notice and demand from the collector.

(d) If the commissioner believes that the assessment or collection of a deficiency will be jeopardized by delay, such deficiency shall be assessed immediately and notice and demand shall be made by the collector for the payment thereof. In such case the jeopardy assessment may be made (1) without giving the notice provided in subdivision (a) of this section, or (2) before the expiration of the 60-day period provided in subdivision (a) of this section even though such notice has been given, or (3) at any time prior to the decision of the board upon such deficiency even though the executor has filed a petition with the board, or (4) in the case of any part of the deficiency allowed by the board, at any time before the expiration of 90 days

after the decision of the board was rendered, but not after the executor has filed a review bond under section 912 of the revenue act of 1924 as amended. Upon the making of the jeopardy assessment the jurisdiction of the board and the right of the executor to appeal from the board shall cease. If the executor does not file a claim in abatement with bond as provided in section 312, the deficiency so assessed (or, if the claim so filed covers only a part of the deficiency, then the amount not covered by the claim) shall be paid upon notice and demand from the collector.

(e) The board shall have jurisdiction to redetermine the correct amount of the deficiency even if the amount so redetermined is greater than the amount of the deficiency of which the executor was notified, whether or not claim therefor is asserted by the commissioner at or before the hearing; but the board shall by rules prescribe under what conditions and at what times the commissioner may assert before the board that the deficiency is greater than the amount of which the executor was notified.

(f) If after the enactment of this act the commissioner has notified the executor of a deficiency as provided in subdivision (a), he shall have no right to determine any additional deficiency, except in the case of fraud, and except as provided in subdivision (e). If the executor is notified that, on account of a mathematical error appearing upon the face of the return, an amount of tax in excess of that shown upon the return is due, and that an assessment of the tax has been or will be made on the basis of what would have been the correct amount of tax but for the mathematical error, such notification shall not be considered, for the purposes of this subdivision or of subdivision (a) of this section, or of section 317, as a notification of a deficiency, and the executor shall have no right to file a petition with the Board of Tax Appeals based on such notification, nor shall such assessment be prohibited by the provisions of subdivision (a) of this section.

(g) For the purposes of this title the time at which a decision of the board becomes final shall be determined according to the provisions of section 916 of the revenue act of 1924, as amended.

(h) Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency, shall be paid upon notice and demand from the collector, and shall be collected as a part of the tax, at the rate of 6 per cent per annum from the due date of the tax to the date the deficiency is assessed.

(i) Where it is shown to the satisfaction of the commissioner that the payment of a deficiency upon the date prescribed for the payment thereof will result in undue hardship to the estate, the commissioner, with the approval of the Secretary (except where the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax), may grant an extension for the payment of such deficiency or any part thereof for a period of not in excess of two years. If an extension is granted, the commissioner may require the executor to furnish a bond in such amount, not exceeding double the amount of the deficiency, and with such sureties, as the commissioner deems necessary, conditioned upon the payment of the deficiency in accordance with the terms of the extension. In such case there shall be collected, as a part of the tax, interest on the part of the deficiency the time for payment of which is so extended, at the rate of 6 per cent per annum for the period of the extension, and no other interest shall be collected on such part of the deficiency for such period. If the part of the deficiency the time for payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 1 per cent a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

(j) The 50 per cent addition to the tax provided by section 3176 of the Revised Statutes, as amended, shall, when assessed after the enactment of this act in connection with an estate tax, be assessed, collected, and paid in the same manner as if it were a deficiency, except that the provisions of subdivision (h) of this section shall not be applicable.

SEC. 309. (a) (1) Where the amount determined by the executor as the tax imposed by this title, or any part of such amount, is not paid on the due date of the tax, there shall be collected as a part of the tax interest upon such unpaid amount at the rate of 1 per cent a month from the due date until it is paid.

(2) Where an extension of time for payment of the amount so determined as the tax by the executor has been granted, and the amount the time for payment of which has been extended, and the interest thereon determined under subdivision (c) of section 305, is not paid in full prior to the expiration of the period of the extension, then, in lieu of the interest provided for in paragraph (1) of this subdivision, interest at the rate of 1 per cent a month shall be collected on such unpaid amount from the date of the expiration of the period of the extension until it is paid.

(b) Where a deficiency, or any interest assessed in connection therewith under subdivision (h) of section 308, or any addition to the tax provided for in section 3176 of the Revised Statutes, as amended, is not paid in full within 30 days from the date of notice and demand from the collector, there shall be collected as part of the tax interest upon the unpaid amount at the rate of 1 per cent a month from the date of such notice and demand until it is paid.

(c) If a claim in abatement is filed, as provided in section 312, the provisions of subdivision (b) of this section shall not apply to the amount covered by the claim in abatement.

SEC. 310. (a) Except as provided in section 311, the amount of the estate taxes imposed by this title shall be assessed within four years after the return was filed, and no proceeding in court for the collection of such taxes shall be begun after the expiration of five years after the return was filed.

(b) The running of the statute of limitations on the making of assessments and the beginning of distraint or a proceeding in court for collection, in respect of any deficiency, shall be suspended for the period during which, under the provisions of this title, the commissioner is prohibited from making the assessment or beginning distraint or a proceeding in court.

SEC. 311. (a) In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(b) Where the assessment of the tax is made within the period prescribed in section 310 or in this section, such tax may be collected by distraint or by a proceeding in court, begun within (1) six years after the assessment of the tax, or (2) at any time prior to the expiration of any period for collection agreed upon in writing by the commissioner and the executor.

(c) This section shall not affect any assessment made, or distraint or proceeding in court begun, before the enactment of this act, nor shall it authorize the assessment of a tax or the collection thereof by distraint or by a proceeding in court (1) if at the time of the enactment of this act such assessment, distraint, or proceeding was barred by the period of limitation then in existence, or (2) contrary to the provisions of subdivision (a) of section 308.

SEC. 312. (a) If a deficiency has been assessed under subdivision (d) of section 308, the executor, within 30 days after notice and demand from the collector for the payment thereof, may file with the collector a claim for the abatement of such deficiency, or any part thereof, or of any interest or additional amounts assessed in connection therewith, or of any part of any such interest or additional amounts. If such claim is accompanied by a bond, in such amount, not exceeding double the amount of the claim, and with such sureties as the collector deems necessary, conditioned upon the payment of so much of the amount of the claim as is not abated, together with interest thereon as provided in subdivision (c) of this section, then upon the filing of such claim and bond, the collection of so much of the amount assessed as is covered by such claim and bond shall be stayed pending the final disposition of the claim.

(b) When a claim is filed and accepted by the collector he shall transmit the claim immediately to the commissioner, who shall by registered mail notify the executor of his decision on the claim. The executor may within 60 days after such notice is mailed file a petition with the Board of Tax Appeals. In cases where collection has been stayed by the filing of a bond, then if the claim is denied in whole or in part by the commissioner (or, if a petition has been filed with the board, if such claim is denied in whole or in part by a decision of the board which has become final), the amount, the claim for which is denied, shall be collected as part of the tax upon notice and demand from the collector, and the amount, the claim for which is allowed, shall be abated. In cases where collection has not been stayed by the filing of a bond, then if the claim is allowed in whole or in part by the commissioner (or, if a petition has been filed with the board, if such claim is allowed in whole or in part by a decision of the board which has become final), the amount so allowed shall be credited or refunded as provided in section 281, or, if collection has not been made, shall be abated.

(c) In cases where collection has been stayed by the filing of a bond, then if the claim in abatement is denied in whole or in part, there shall be collected, at the same time as the part of the claim denied, and as a part of the tax, interest at the rate of 6 per cent per annum upon the amount of the claim denied, from the date of notice and demand from the collector under subdivision (d) of section 308 to the date of the notice and demand under subdivision (b) of this section. If the amount included in the notice and demand from the collector under subdivision (b) of this section is not paid in full within 30 days after such notice and demand, then there shall be collected, as part of the tax, interest upon the unpaid amount at the rate of 1 per cent a month from the date of such notice and demand until it is paid.

(d) Except as provided in this section, no claim in abatement shall be filed in respect of any assessment made after the enactment of this act in respect of any estate tax.

SEC. 313. (a) The collector shall grant to the person paying the tax duplicate receipts, either of which shall be sufficient evidence of such payment, and shall entitle the executor to be credited and allowed the amount thereof by any court having jurisdiction to audit or settle his accounts.

(b) If the executor makes written application to the commissioner for determination of the amount of the tax and discharge from personal liability therefor, the commissioner (as soon as possible, and in any event within one year after the making of such application, or, if the application is made before the return is filed, then within one year after the return is filed, but not after the expiration of the period prescribed for the assessment of the tax in section 310) shall notify the executor of the amount of the tax. The executor, upon payment of the amount of which he is notified, shall be discharged from personal libility for any deficiency in tax thereafter found to be due and shall be entitled to a receipt or writing showing such discharge.

(c) The provisions of subdivision (b) shall not operate as a release of any part of the gross estate from the lien for any deficiency that may thereafter be determined to be due, unless the title to such part of the gross estate has passed to a bona fide purchaser for value, in which case such part shall not be subject to a lien or to any claim or demand for any such deficiency, but the lien shall attach to the consideration received from such purchaser by the heirs, legatees, devisees, or distributees.

SEC. 314 (a) If the tax herein imposed is not paid on or before the due date thereof the collector shall, upon instruction from the commissioner, proceed to collect the tax under the provisions of general law, or commence appropriate proceedings in any court of the United States having jurisdiction, in the name of the United States, to subject the property of the decedent to be sold under the judgment or decree of the court. From the proceeds of such sale the amount of the tax, together with the costs and expenses of every description to be allowed by the court, shall be first paid, and the balance shall be deposited according to the order of the court, to be paid under its direction to the person entitled thereto. This subdivision in so far as it applies to the collection of a deficiency shall be subject to the provisions of section 308.

(b) If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds, in excess of $40,000, of such policies bear to the net estate. If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.

SEC. 315 (a) Unless the tax is sooner paid in full, it shall be a lien for 10 years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien. If the commissioner is satisfied that the tax liability of an estate has been fully discharged or provided for, he may, under regulations prescribed by him with the approval of the Secretary, issue his certificate, releasing any or all property of such estate from the lien herein imposed.

(b) If (1) the decedent makes a transfer, by trust or otherwise, of any property in contemplation of or intended to take effect in possession or enjoyment at or after his death (except in the case of a bona fide sale for a fair consideration in money or money's worth) or (2) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien, and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

SEC. 316. (a) If after the enactment of this act the commissioner determines that any assessment should be made in respect of any estate tax imposed by the revenue act of 1917, the revenue act of 1918, the revenue act of 1921, or the revenue act of 1924, or by any such act as amended, the commissioner shall notify the person liable for such tax by registered mail of the amount proposed to be assessed, which notification shall, for the purposes of this act, be considered a notification under subdivision (a) of section 308 of this act. In such cases the amount which should be assessed (whether as deficiency or additional tax or as interest, penalty, or other addition to the tax) shall be computed as if this act had not been enacted, but the amount so computed shall be assessed, collected, and paid in the same manner and subject to the same provisions and limitations (including the provisions in case of delinquency in payment after notice and demand and the provisions prohibiting claims and suits for refund) as in the case of the tax imposed by this title, except that the period of limitation prescribed in section 1109 of this act shall be applied in lieu of the period prescribed in subdivision (a) of section 310.

(b) If before the enactment of this act any person has appealed to the Board of Tax Appeals under subdivision (a) of section 308 of the revenue act of 1924 (if such appeal relates to a tax imposed by Title III of such act or to so much of an estate tax imposed by prior act as was not assessed before June 3, 1924), and the decision of the board was not made before the enactment of this act, the board shall have jurisdiction of the appeal. In all such cases the powers, duties, rights, and privileges of the commissioner and of the person who has brought the appeal and the jurisdiction of the board and of the courts shall be determined, and the computation of the tax shall be made, in the same manner as provided in subdivision (a) of this section, except that the person liable for the tax shall not be subject to the provisions of subdivision (a) of section 317.

(c) If before the enactment of this act the commissioner has mailed to any person a notice under subdivision (a) of section 308 of the revenue act of 1924 (whether in respect of a tax imposed by Title III of such act or in respect of so much of an estate tax imposed by prior act as was not assessed before June 3, 1924), and if the 60-day period referred to in such subdivision has not expired before the enactment of this act, such person may file a petition with the board in the same manner as if a notice of deficiency had been mailed after the enactment of this act in respect of a deficiency in a tax imposed by this title. In such cases the 60-day period referred to in subdivision (a) of section 308 of this act shall begin on the date of the enactment of this act, and the powers, duties, rights, and privileges of the commissioner and of the person who has filed the petition; and the jurisdiction of the board and of the courts shall, whether or not the petition is filed, be determined, and the computation of the tax shall be made, in the same manner as provided in subdivision (a) of this section.

(d) If any estate tax imposed by the revenue act of 1917, the revenue act of 1918, or the revenue act of 1921, or by any such act as amended, was assessed before June 3, 1924, but was not paid in full before the date of the enactment of this act, and if the commissioner, after the enactment of this act, finally determines the amount of the deficiency, he shall notify the person liable for such tax by registered mail of the amount proposed to be collected, which notification shall, for the purposes of this act, be considered a notification under subdivision (a) of section 308 of this act. In such case the amount to be collected (whether as deficiency or additional tax or as interest, penalty, or other additions to the tax) shall be computed as if this act had not been enacted, but the amount so computed shall be assessed, collected, and paid in the same manner and subject to the same provisions and limitations (including the provisions in cases of delinquency in payment after notice and demand, and the provisions relating to claims and suits for refund) as in the case of the tax imposed by this title, except as otherwise provided in subdivision (g) of this section, and except that the period of limitation prescribed in section 1109 of this act shall be applied in lieu of the period prescribed in subdivision (a) of section 310.

(e) If any estate tax imposed by the revenue act of 1917, the revenue act of 1918, or the revenue act of 1921, or by any such act as amended, was assessed before June 3, 1924, but was not paid in full before that date, and if the commissioner after June 2, 1924, but before the enactment of this act, finally determined the amount of the deficiency, and if the person liable for such tax appealed before the enactment of this act to the Board of Tax Appeals and the decision of the board was not made before the enactment of this act, the board shall have jurisdiction of the appeal. In all such cases the powers, duties, rights, and privileges of the commissioner and of the person who has brought the appeal, and the jurisdiction of the board and of the courts, shall be determined, and the computation of the tax shall be made, in the same manner as provided in subdivision (d) of this section, except that the person liable for the tax shall not be subject to the provisions of subdivision (a) of section 317.

(f) If any estate tax imposed by the revenue act of 1917, the revenue act of 1918, or the revenue act of 1921, or by any such act as amended, was assessed before June 3, 1924, but was not paid in full before the date of the enactment of this act, and if the commissioner after June 2, 1924, finally determined the amount of the deficiency, and notified the person liable for such tax to that effect less than 60 days prior to the enactment of this act, the person so notified may file a petition with the board in the same manner as if a notice of deficiency had been mailed after the enactment of this act in respect of a deficiency in a tax imposed by this title. In such cases the 60-day period referred to in subdivision (a) of section 308 of this act shall begin on the date of the enactment of this act, and, whether or not the petition is filed, the powers, duties, rights, and privileges of the commissioner and of the

person who is so notified, and the jurisdiction of the board and of the courts, shall be determined, and the computation of the tax be made, in the same manner as provided in subdivision (d) of this section.

(g) In cases within the scope of subdivision (d), (e), or (f), if the commissioner believes that the collection of the deficiency will be jeopardized by delay, he may, despite the provisions of subdivision (a) of section 308 of this act, instruct the collector to proceed to enforce the payment of the deficiency. Such action by the collector and the commissioner may be taken at any time prior to the decision of the board upon such deficiency even though the person liable for the tax has filed a petition with the board, or, in the case of any part of the deficiency allowed by the board, at any time before the expiration of 90 days after the decision of the board was rendered, but not after the person liable for the tax has filed a review bond under section 912 of the revenue act of 1924 as amended, and thereupon the jurisdiction of the board and the right of the taxpayer to appeal from the board shall cease. Upon payment of the deficiency in such case the person liable for the tax shall not be subject to the provisions of subdivision (a) of section 317.

SEC. 317. (a) If the commissioner has notified the executor of a deficiency or has made an assessment under subdivision (d) of section 308, the right of the executor to file a petition with the Board of Tax Appeals and to appeal from the decision of the board to the courts shall constitute his sole right to contest the amount of the tax, and, whether or not he files a petition with the board, no credit or refund in respect of such tax shall be made, and no suit for the recovery of any part of such tax shall be maintained in any court, except as provided in subdivision (b) of this section or in subdivision (b) of section 312 or in subdivision (b), (e), or (g) of section 316 of this act or in section 912 of the revenue act of 1924 as amended. This subdivision shall not apply in any case where the executor proves to the satisfaction of the commissioner or the court, as the case may be, that the notice under subdivision (a) of section 308 or subdivision (b) of section 312 was not received by him before the expiration of 45 days from the time such notice was mailed.

(b) If the Board of Tax Appeals finds that there is no deficiency and further finds that the executor has made an overpayment of tax, the board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the board has become final, be credited or refunded to the executor as provided in section 3220 of the Revised Statutes, as amended. Such refund or credit shall be made either (1) if claim therefor was filed within the period of limitation provided for in section 3228 of the Revised Statutes, as amended, or (2) if the petition was filed with the board within four years after the tax was paid.

SEC. 318. (a) Whoever knowingly makes any false statement in any notice or return required to be filed under this title shall be liable to a penalty of not exceeding $5,000 or imprisonment not exceeding one year, or both.

(b) Whoever fails to comply with any duty imposed upon him by section 304, or, having in his possession or control any record, file, or paper containing or supposed to contain any information concerning the estate of the decedent, or, having in his possession or control any property comprised in the gross estate of the decedent, fails to exhibit the same upon request to the commissioner or any collector or law officer of the United States or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding $500, to be recovered, with costs of suit, in a civil action in the name of the United States.

SEC. 319. (a) The term "resident" as used in this title includes a citizen of the United States with respect to whose property any probate or administration proceedings are had in the United States Court for China. Where no part of the gross estate of such decedent is situated in the United States at the time of his death, the total amount of tax due under this title shall be paid to or collected by the clerk of such court, but where any part of the gross estate of such decedent is situated in the United States at the time of his death the tax due under this title shall be paid to or collected by the collector of the district in which is situated the part of the gross estate in the United States, or, if such part is situated in more than one district, then the collector of such district as may be designated by the commissioner.

(b) For the purpose of this section the clerk of the United States Court for China shall be a collector for the territorial jurisdiction of such court, and taxes shall be collected by and paid to him in the same manner and subject to the same provisions of law, including penalties, as the taxes collected by and paid to a collector in the United States.

And in lieu thereof to insert:

SEC. 300. (a) Section 301 of the revenue act of 1924 is amended to read as follows:

"SEC. 301. (a) In lieu of the tax imposed by Title IV of the revenue act of 1921, a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 303) is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this act, whether a resident or nonresident of the United States:

"One per cent of the amount of the net estate not in excess of $50,000;

"Two per cent of the amount by which the net estate exceeds $50,000 and does not exceed $150,000;

"Three per cent of the amount by which the net estate exceeds $150,000 and does not exceed $250,000;

"Four per cent of the amount by which the net estate exceeds $250,000 and does not exceed $450,000;

"Six per cent of the amount by which the net estate exceeds $450,000 and does not exceed $750,000;

"Eight per cent of the amount by which the net estate exceeds $750,000 and does not exceed $1,000,000;

"Ten per cent of the amount by which the net estate exceeds $1,000,000 and does not exceed $1,500,000;

"Twelve per cent of the amount by which the net estate exceeds $1,500,000 and does not exceed $2,000,000;

"Fourteen per cent of the amount by which the net estate exceeds $2,000,000 and does not exceed $3,000,000;

"Sixteen per cent of the amount by which the net estate exceeds $3,000,000 and does not exceed $4,000,000;

"Eighteen per cent of the amount by which the net estate exceeds $4,000,000 and does not exceed $5,000,000;

"Twenty per cent of the amount by which the net estate exceeds $5,000,000 and does not exceed $8,000,000;

"Twenty-two per cent of the amount by which the net estate exceeds $8,000,000 and does not exceed $10,000,000; and

"Twenty-five per cent of the amount by which the net estate exceeds $10,000,000."

(b) Subdivision (a) of this section shall take effect as of June 2, 1924.

SEC. 301. (a) So much of paragraph (3) of subdivision (a) and of paragraph (3) of subdivision (b) of section 303 of the revenue act of 1924 as reads as follows: "If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes" is repealed.

(b) Subdivision (a) of this section shall take effect as of June 2, 1924.

SEC. 302. (a) Section 319 of the revenue act of 1924 is amended to read as follows:

"SEC. 319. For the calendar year 1924 and the calendar year 1925, a tax equal to the sum of the following is hereby imposed upon the transfer by a resident by gift during such calendar year of any property wherever situated, whether made directly or indirectly, and upon the transfer by a nonresident by gift during such calendar year of any property situated within the United States, whether made directly or indirectly:

"One per cent of the amount of the taxable gifts not in excess of $50,000;

"Two per cent of the amount by which the taxable gifts exceed $50,000 and do not exceed $150,000;

"Three per cent of the amount by which the taxable gifts exceed $150,000 and do not exceed $250,000;

"Four per cent of the amount by which the taxable gifts exceed $250,000 and do not exceed $450,000;

"Six per cent of the amount by which the taxable gifts exceed $450,000 and do not exceed $750,000;

"Eight per cent of the amount by which the taxable gifts exceed $750,000 and do not exceed $1,000,000;

"Ten per cent of the amount by which the taxable gifts exceed $1,000,000 and do not exceed $1,500,000;

"Twelve per cent of the amount by which the taxable gifts exceed $1,500,000 and do not exceed $2,000,000;

"Fourteen per cent of the amount by which the taxable gifts exceed $2,000,000 and do not exceed $3,000,000;

"Sixteen per cent of the amount by which the taxable gifts exceed $3,000,000 and do not exceed $4,000,000;

"Eighteen per cent of the amount by which the taxable gifts exceed $4,000,000 and do not exceed $5,000,000;

"Twenty per cent of the amount by which the taxable gifts exceed $5,000,000 and do not exceed $8,000,000;

"Twenty-two per cent of the amount by which the taxable gifts exceed $8,000,000 and do not exceed $10,000,000; and

"Twenty-five per cent of the amount by which the taxable gifts exceed $10,000,000."

(b) Subdivision (a) of this section shall take effect as of June 2, 1924.

SEC. 303. Any tax that has been paid under the provisions of Title III of the revenue act of 1924 prior to the enactment of this act in

excess of the tax imposed by such title as amended by this act shall be refunded without interest. Where the tax imposed by such title is less than the tax imposed by such title as amended by this act, the tax shall be computed without regard to the provisions of section 300 of this act.

The VICE PRESIDENT. The question is on agreeing to the committee amendment.

Mr. KING. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ashurst	Edwards	King	Robinson, Ind.
Bayard	Ernst	La Follette	Sackett
Bingham	Fernald	Lenroot	Sheppard
Blease	Fess	McKellar	Shipstead
Borah	Fletcher	McKinley	Shortridge
Bratton	Frazier	McLean	Simmons
Brookhart	George	McNary	Smith
Broussard	Gerry	Metcalf	Smoot
Bruce	Gillett	Moses	Stanfield
Butler	Glass	Neely	Stephens
Cameron	Goff	Norbeck	Swanson
Capper	Hale	Norris	Trammell
Caraway	Harreld	Nye	Tyson
Copeland	Harris	Oddie	Wadsworth
Couzens	Harrison	Overman	Walsh
Curtis	Heflin	Pepper	Warren
Dale	Howell	Phipps	Watson
Deneen	Johnson	Pine	Weller
Dill	Jones, Wash.	Reed, Mo.	Williams
Edge	Kendrick	Reed, Pa.	Willis

Mr. OVERMAN. I desire to announce that the senior Senator from Iowa [Mr. CUMMINS] and the junior Senator from Colorado [Mr. MEANS] are engaged in the Committee on the Judiciary.

Mr. JONES of Washington. I was requested to announce that the Senator from Idaho [Mr. GOODING], the Senator from Louisiana [Mr. RANSDELL], and the Senator from Michigan [Mr. FERRIS] are engaged in committee work.

Mr. SHEPPARD. I desire to announce that my colleague, the junior Senator from Texas [Mr. MAYFIELD] is detained on account of illness. I will let this announcement stand for the day.

Mr. WALSH. I wish to announce that my colleague, the junior Senator from Montana [Mr. WHEELER], is absent to-day because of illness. I ask that this announcement may stand for the day.

The VICE PRESIDENT. Eighty Senators having answered to their names, a quorum is present.

THE COAL SITUATION

Mr. COPELAND. Mr. President, I feel like apologizing to the Senate for taking even five minutes of its time this morning. But I confess I hardly slept last night because I know so well what the sufferings are in a great city when the people are deprived of food or fuel. I do not know how Senators are impressed by the catastrophe in Pennsylvania, a poor woman dying without food, starved because from the soup kitchen, as the coroner said this morning, she could only get food enough to take care of her baby.

I am not going to make any speech. I am going to appeal to the Senate. In a moment I shall ask unanimous consent to vote, without debate, upon the resolution (S. Res. 134) requesting the President to invite the miners and the operators to the White House in order that he may impress upon them how important it is to settle the strike. I hope this morning that every Senator will be moved by the same impulse and will be willing to take a step which has in it the hope of an immediate adjustment of the situation.

So, Mr. President, I ask that Senate Resolution 134 be read from the desk, and I also ask unanimous consent that without debate the Senate vote upon the adoption of the resolution.

Mr. REED of Pennsylvania. Mr. President, may we first have the resolution read?

The VICE PRESIDENT. The resolution will be read.

The Chief Clerk read the resolution (S. Res. 134) submitted by Mr. COPELAND on the 3d instant, as follows:

Resolved, That the President be requested to invite to the White House the committee of operators and miners in order that he may urge upon them the national importance of an immediate settlement of the anthracite coal strike.

Mr. BORAH. Mr. President, I desire to ask the Senator from New York a question, and I ask it in all sincerity. This resolution has the appearance to a great many people of passing on to the Executive a task that will amount to nothing. It gives him no power; if it shall have any effect at all it will only have the effect of moral influence which might be exerted by the President. In other words, it does not confer any power upon the President to enforce anything or to conclude anything; it gives him no power other than that which he now has. So the resolution is nothing more really than advising the President to do what we think he ought to do and what undoubtedly the President thinks he ought not to do. To use the elegant phrase that was used here the other day, it is "passing the buck." Would not the Senator from New York be willing to modify the resolution so as to ask the operators and the miners to meet with a committee of the United States Senate to see if they could arrive at a conclusion looking to a settlement?

Mr. COPELAND. Mr. President, last night, after the Senate took a recess, I read all the coal bills which are pending in this Congress and which were introduced in the last one. One of the best bills, from my standpoint, is the bill which was introduced by the Senator from Idaho [Mr. BORAH] in the Sixty-eighth Congress. I am not sure whether he has presented it in the Sixty-ninth or not. Has the Senator done so?

Mr. BORAH. No; I have not. I will say, however, that with the exception of one problem which is involved in the bill the bill is redrafted for the purpose of reintroduction; but there is a legal proposition involved in the question as to the mining of coal as an intrastate matter, which it would be very difficult for the Federal Government to control. That has given me some difficulty, and that problem I am trying, in connection with other persons, to work out; but the bill is practically in such form that I expect to introduce it.

Mr. COPELAND. I am glad to hear what the Senator from Idaho has stated.

Mr. SHIPSTEAD. Mr. President, will the Senator from New York yield for a moment?

Mr. COPELAND. I will yield to the Senator from Minnesota in just a moment. I am glad to hear what the Senator from Idaho has had to say, because I can readily see that the problem which the Senator from Idaho has in his mind is the same hurdle that the Committee on Education and Labor will have to get over in dealing with the Robinson bill.

Now, I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. Mr. President, will the Senator from New York permit me a minute in which to make an observation in view of the statement which has been made by the Senator from Idaho?

Mr. COPELAND. I have not quite answered the question of the Senator from Idaho. I am not evading it; I am going to answer it; but first I am glad to hear from the Senator from Minnesota.

Mr. SHIPSTEAD. Mr. President, the question has been raised in reference to the authority of the Executive. A number of years ago Congress started to delegate its power to the Executive. The constitutional prerogative of writing a tariff bill has been delegated to the Executive; the constitutional prerogative of the House of Representatives to write appropriation bills and tax bills has been usurped by or delegated to the Executive, so that now Congress is asked to sign upon the dotted line when the Secretary of the Treasury writes a tax bill.

The Coal Commission in its report on the coal industry has reported that the power to make railroad rates has had a great deal to do with the production of coal, and in the debate last week the information was brought out that the Interstate Commerce Commission has reduced railroad rates to nonunion mines in West Virginia and Kentucky and therefore has used the power of the Government to discriminate against union mines in Pennsylvania and Ohio.

As a result the mines of Ohio have been shut down all winter. That part of its power to make railroad rates Congress has delegated to a commission appointed by the Executive. In view of the fact that so many commissions and bureaus seem to be operating according to pressure brought to bear upon them by the Executive, I can not see that the resolution of the Senator from New York is so entirely inappropriate. It is almost presumptuous to ask Congress to do anything now, in view of the propaganda brought to bear and the attacks that have been made upon Congress from all parts of the country, evidently carried on for the purpose of further divesting Congress of its remaining function and power.

Mr. BORAH. Do I understand that the Senator from Minnesota is in favor of the program which he has been recounting?

Mr. SHIPSTEAD. Oh, no; but it is the only program we have; it is the only program that is considered to be orthodox. I am not advocating such a program, but it is the only program that we seem to have. It is the only program the Congress seems to have the energy to pursue.

Mr. BORAH. In other words, the Senator from Minnesota is not orthodox?

Mr. SHIPSTEAD. My orthodoxy is so old that people call it heresy. If I were orthodox in a modern sense I should not be making this speech and calling the attention of the orthodox Senators who object to the resolution of the Senator from New York to the fact that if they are to be consistent in their orthodoxy they ought to adopt the resolution. Modern orthodoxy makes a virtue of inconsistency.

Mr. COPELAND. Mr. President, in further reply to the Senator from Idaho, let me say that I do know what may be the feeling of some one else about this resolution; I only know that, so far as I am concerned, I am not desiring to "pass the buck." I do not think I ever do that, if I may say so to the Senator from Idaho.

Mr. REED of Missouri. Mr. President, I should like to ask the Senator a question. I should like to ask the Senator if he is willing to support an amendment to the antitrust act which will provide that a conspiracy to prevent others from laboring in interstate commerce shall come within the provisions of that act?

Mr. COPELAND. Is the Senator asking that question of the Senator from Idaho?

Mr. REED of Missouri. I am asking the Senator from New York.

Mr. COPELAND. I should be glad to give consideration to that question, I will say to the Senator from Missouri.

Mr. REED of Missouri. Well, that is the only remedy there is except the patent remedies that cure everything and never have cured anything.

Mr. COPELAND. Mr. President, in the practice of medicine it often happens that doctors do not know just what is the matter with a patient or what the exact remedy may be.

Mr. REED of Missouri. Then the patient dies.

Mr. COPELAND. Not always, but a doctor is never excused if he does not do what he can to give comfort to the patient and perhaps to prolong his life.

Mr. REED of Missouri. May I ask the Senator if it is in those circumstances where the doctor does not know what is the matter with the patient that he gives him what used to be called a "shotgun dose," composed of various kinds of medicine, in the hope that some one of them may hit the mark?

Mr. COPELAND. I knew a doctor one time——

Mr. REED of Missouri. Do not doctors do that regularly in their profession?

Mr. COPELAND. I knew a doctor one time who had a jug in his office, but for other reasons than the Senator from Missouri may think for the moment. Around a doctor's office are numerous bottles without labels, and whenever the doctor I have in mind had such a bottle he emptied the contents into the jug. Then when he had a patient and did not know what to do with him he gave him something out of the jug. I suppose that is what the Senator from Missouri has in mind.

Mr. REED of Missouri. If the Senator will pardon me, is not that exactly what he is doing with this resolution, putting it into the White House jug along with all the other remedies?

Mr. COPELAND. I do not think so. The reply that I want to make to the Senator from Idaho is the reply I am going to make also to the Senator from Missouri. Here is a situation where the strikers and operators are close together, as the Senator from Indiana [Mr. WATSON] brought out last night. All they need is a little impulse, a little stimulation, and as a result, in my opinion, there will be an end of the strike.

It is not in the sense of "passing the buck" or putting the President in an embarrassing position that I am advocating the resolution. If I were the President of the United States, I would not act without the encouragement of the Senate, in view of the relations which exist between the President and the Senate. The Senate, I think, I may say, or a majority of it, is critical of the President on every opportunity occasion offers. Out of this meeting which the resolution contemplates it might happen that the price of coal may be increased or wages may be increased or that the conference utterly fails. If the President, without the encouragement of the Senate, were to call the strikers and operators to the White House and any one of those things should happen, the Senate would be the very first to criticize him.

I want to prevent such a contingency; I want to anticipate it. Therefore it is my thought that the Senate should indicate its desire that the President should invite these people here, and then, whatever the results may be, the Senate must be satisfied. It is not with any desire at all to play politics or to pass responsibility to the President that I have made this suggestion.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield?

Mr. COPELAND. I yield.

Mr. REED of Pennsylvania. Would the Senator be willing to accept an amendment to his resolution, to insert after the words "White House," in line 2, the words "at such time as he thinks best"?

Mr. COPELAND. At the time the President thinks best?

Mr. REED of Pennsylvania. That would mean at such time as the President thinks best.

Mr. COPELAND. Of course, I would accept that, because it is only right that we should be courteous to the President. We do not want to be peremptory, and of necessity he would have to invite them when he saw best, even if we should pass the resolution. So I will be very glad to accept such an amendment.

Mr. REED of Pennsylvania. Mr. President, if I may take about two minutes of the Senator's time, I should like to explain how this resolution strikes us in Pennsylvania. Obviously the President has no power to do anything. This is a mere appeal to him to make an appeal to somebody else; we give him no power and he has no power. He can not compel anything. At the same time, this resolution has been generally discussed, and the people who are in despair throughout the mining regions have come to think of it as some sort of a remedy for their difficulties which is being withheld from them. It is just exactly as if a cancer patient came to the office of the Senator from New York and said that he had been told by many of his friends that bread pills were fine for cancer, and the Senator from New York should say in all sincerity, "You must not delude yourself with that idea. It is a hollow sham; you must not attach any importance to it or put any faith in it." That is what the Senator would say, because the Senator's practice of medicine is highly ethical.

It seems to us—perhaps we are wrong—that this resolution is a bread pill for the disease that is eating out the vitals of northeastern Pennsylvania. It seems to us that it is pitiful that those people should think that the passage of this resolution is going to ameliorate their condition. It will not, and we can not say to them too often that they are placing false hopes on it; but I can not see that it is going to do any harm. It is not helpful to the President to tell him that there is a strike going on. Heaven knows he has known that, and he has been worrying about it just as much as we have; and if he had seen any likelihood of useful interposition, I am sure he would have done it long before we ever began to talk about the resolution.

Mr. BORAH. Mr. President——

Mr. REED of Pennsylvania. Just a moment, and then I will yield.

Last night in New York there was a mass meeting of people who wanted to get this strike settled—people who use coal and people who are interested in the plight of the miners. They were addressed by a representative of the operators, who said that the operators would abide by anything that the President said was fair; that if President Coolidge would interpose in this matter they would submit the whole thing to him and do whatever he said was fair, or that they would let him appoint an arbitrator and they would do whatever that arbitrator said. The spokesman of the miners, if I am correctly advised, got up and replied to that, that the miners would not abide by what the President might decree or what the President's arbitrator might decree. What kind of a prospect is that for President Coolidge to face?

Mr. COPELAND. Mr. President, the Senator must not take too seriously what a speaker says in a Cooper Union meeting.

Mr. REED of Pennsylvania. I do not; but, while I may be wrongly informed, I have heard similar expressions from the same sources before. The President has not any reason to believe that his interposition will be successful, and to pass this resolution is just to hold out false hopes to these people, who, as the Senator has correctly said, are in desperate straits.

I do not believe that any of us understand how acute is the suffering up there in the anthracite regions. They have not done a tap of work since the 1st of September. I heard of one shop in a mining town that employs 12 clerks, and its total receipts last Saturday was $8. That is the way it has struck. Every business—not only mining, but every business of that community—is prostrate, and the suffering is simply terrific.

Do not let us hold this out to those people as a panacea. Let us pass it if you wish. I am not going to object to it any more, because it looks as though I were denying them that bread pill.

Mr. BORAH. Mr. President, I want to say just a word. If we pass this resolution, we are simply passing on to the President the request to do a wholly fruitless thing.

Mr. REED of Pennsylvania. Precisely.

Mr. BORAH. Mr. President, that does not seem to me quite the courageous thing for the Senate of the United States to do. The President of the United States must meet then what our

courage is not sufficient to undertake. In other words, we are no longer willing to stand out and say that this amounts to nothing, so we will pass it up to the President, and the President must say, "This which I have been requested to do amounts to nothing, and I will do nothing about it." That is not the courageous thing to do. We demand that he take this matter off our hands. That seems to me an unworthy thing to do.

Mr. COPELAND. What would the Senator do?

Mr. BORAH. If there is nothing to do about this thing, except to call these people down here and talk to them and morally urge them to do this and that, let a committee of the Senate meet these people, as we are asking the President to meet them, and see whether or not we can effectuate anything. What is the difference between our meeting them and the President meeting them? One has just as much power as the other; and, if it is a mere matter of moral influence, let us exert our moral influence to see whether or not we can bring about that which we know the President can not bring about. In fact, here to this body, as a branch of the lawmaking body, they should come, for I venture the opinion that we will have to legislate before we get relief.

Mr. REED of Pennsylvania. The Senator from Idaho is exactly right, Mr. President; but we have been spending a very large part of every day in the discussion of this resolution, and other important things have been postponed while we thrash this over. The motion to take up this resolution has almost been carried. It has been shown that a majority of the Senate favor the resolution. Let us get rid of it, and we will see how it works.

Mr. KING. Mr. President, will the Senator from New York yield to me to ask a question of the Senator from Pennsylvania?

Mr. COPELAND. I yield.

Mr. HEFLIN. Mr. President, let us vote on the resolution and get it out of the way.

The VICE PRESIDENT. The Senator from New York has yielded to the Senator from Utah.

Mr. KING. I should like to ask the Senator from Pennsylvania why the miners in Pennsylvania do not go to work. I am told by many that there are no obstacles to the resuming work under conditions more favorable than those which prevailed when they ceased work; that no opposition is made by the mine owners to their resumption of work. I am also told that the miners will prevent anybody else working who might desire to work, and that they have been so powerful as to secure the passage of an act in Pennsylvania by which no one may work unless he practically has the indorsement of the miners' union. What are the facts? Are there obstacles to their resumption of work if they desire?

Mr. REED of Pennsylvania. Mr. President, there is a law in Pennsylvania called the miners' certificate law, which requires two years' experience in anthracite mining before one can be certified as a qualified miner. As the entire population of the mines is unionized, and as they are all out on strike now, obviously there is nobody who can qualify for a miner's certificate, so that the law prevents the introduction of miners from bituminous districts.

The Senator asks me what the position of the miners is. I am not competent nor am I authorized to present their side of the case nor the operators' side. They have quit work, and they had a perfect right to quit work; and they are holding out with great fortitude for what they think is right, and they have a perfect right to hold out; and the mine operators have an equal right to refuse it. I am not qualified, because I do not know the facts well enough, to say who is right and who is wrong; but it is the ordinary case of an industrial dispute. Each of them is exactly within his rights; both of them have been entirely law-abiding, as far as I know, and they have stood rigidly for what is their right; and because they have shown such fortitude the conditions have reached the present pass.

Mr. COPELAND. Mr. President, it would be presumption on my part to suggest to the Senator from Idaho that his plan is not as good as mine, because he has had so much more experience in these matters; but it seems to me that after we pass this resolution the Congress will have plenty to do. There is pending before the Committee on Education and Labor the bill introduced by the Senator from Arkansas [Mr. ROBINSON]; there is pending before the Committee on Mines and Mining the bill introduced by the Senator from Nevada [Mr. ODDIE]—bills which deal with the chronic condition and seek to make impossible a recurrence of the present acute situation.

Mr. SIMMONS. Mr. President——

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from North Carolina?

Mr. COPELAND. I yield.

Mr. SIMMONS. I want to say to the Senator from New York that it is suggested that what he is proposing to ask the Senate to do is a futile thing, a vain and hopeless thing. If I thought that, Mr. President, I would not vote for the Senator's resolution; but I do not think that statement is correct.

The Senator from Idaho [Mr. BORAH] admits that the President might exert a powerful moral influence which would have its effect upon this situation. I know that the President has no legal power to enforce his advice; but I think that the respect of the people of the country for the presidental office and for the present occupant of that office is so great that if he should bring to bear upon this very difficult situation the influence of his advice and of his office, it probably would accomplish very material and very substantial results. At least, Mr. President, that I think is the opinion of the country. I believe that there is a strong public opinion in the United States to-day that if the President should intervene and use the influence and authority of his office in the way of advice and persuasion his efforts would be effective.

I have heard the opinion expressed repeatedly by men of very large experience and observation that if the President would make his position very clear to these contending factions it would produce results. I believe it would produce results. Of course, nobody can say with any degree of certainty whether it will or not; but I should think the President would be glad to contribute his aid as far as he possibly can to the settlement of a dispute that is causing such disastrous consequences.

We are not telling the President that he shall do this thing. We have no authority to do that. We are simply expressing the opinion of the Senate of the United States that the President should use his good offices in trying to settle this dispute. The fact that the Senate of the United States makes this request of the President will carry weight in this country. It will help to crystallize public sentiment. It is bound to have its effect upon the contending parties in this controversy. We not only bring to bear upon this situation the advice and influence of the Senate, but we bring to bear upon it the weight of the opinion of the Congress of the United States.

Mr. BORAH. Mr. President——

Mr. COPELAND. I yield to the Senator.

Mr. BORAH. Does the Senator see any possible way to adjust this coal strike except through an increase of wages?

Mr. SIMMONS. Mr. President, I do not know how it can be adjusted; but if the Senate of the United States asks the President to do these things, thereby expressing its opinion that some effort on his part ought to be made, and the President acts upon that request, I hope and believe that it will have a very material influence in bringing about an adjustment.

Mr. COPELAND. Mr. President, I am sure nothing can be added to what the Senator from North Carolina has said; and, Mr. President, accepting gladly the amendment offered by the Senator from Pennsylvania, I ask for the immediate consideration of this resolution, modified so as to read as follows:

That the President be requested to invite to the White House, at such time as he thinks best, the committee of operators and miners, in order that he may urge upon them the national importance of an immediate settlement of the anthracite-coal strike.

The VICE PRESIDENT. Is there objection to the immediate consideration of the resolution?

Mr. HEFLIN. Mr. President, I want to suggest to the Senator from New York and other Senators that if they will permit the President to put the question, I think the Senate will grant it, and then we can go along with the tax bill.

Mr. SMOOT. I want it distinctly understood that it will not lead to any debate.

Mr. COPELAND. If it is possible to link the two together, I ask unanimous consent that an immediate vote be taken upon this resolution, without debate.

Mr. SMOOT. If there is no objection to that, then I shall ask unanimous consent that we temporarily lay aside the tax bill.

Mr. ASHURST. For a vote.

Mr. SMOOT. Yes, for a vote.

The VICE PRESIDENT. Is there objection to laying aside the tax bill? The Chair hears none, and the tax bill will be temporarily laid aside.

The question now is on agreeing to the resolution offered by the Senator from New York.

Mr. COPELAND. As modified.

The VICE PRESIDENT. As modified in accordance with the suggestion of the Senator from Pennsylvania.

Mr. BORAH. As I understand, the resolution now is that the President be requested to invite these people whenever he sees fit to invite them?

Mr. HEFLIN. Yes.

Mr. BORAH. That is a very dignified and a very courageous thing to do!

Mr. EDGE. In other words, we have made the resolution more ridiculous and weaker than ever.

The VICE PRESIDENT. The question is on agreeing to the resolution as modified.

Mr. COPELAND and Mr. BORAH asked for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. FLETCHER (when his name was called). I have a general pair with the junior Senator from Delaware [Mr. DU PONT]. I am not advised as to how he would vote on this resolution, and in his absence I withhold my vote. If privileged to vote, I would vote "yea."

The roll call was concluded.

Mr. JONES of Washington. I desire to announce that the Senator from Oregon [Mr. MCNARY] and the Senator from Idaho [Mr. GOODING] are detained in attendance on a meeting of the Committee on Agriculture and Forestry.

I also desire to announce that the Senator from Minnesota [Mr. SCHALL] has a general pair with the Senator from Montana [Mr. WHEELER].

Mr. MEANS. I have a pair with the junior Senator from Texas [Mr. MAYFIELD]. Not knowing how that Senator would vote, I withhold my vote.

Mr. NEELY. I am authorized to state that if the junior Senator from Texas [Mr. MAYFIELD] were present he would vote "yea" on this question.

Mr. FERNALD. I transfer my pair with the senior Senator from New Mexico [Mr. JONES] to the senior Senator from Vermont [Mr. GREENE] and vote "nay."

Mr. SIMMONS (after having voted in the affirmative). I have a general pair with the senior Senator from Oklahoma [Mr. HARRELD]. I am told he has not voted, and I transfer that pair to the junior Senator from New Jersey [Mr. EDWARDS] and allow my vote to stand.

Mr. WALSH. My colleague [Mr. WHEELER] is absent on account of illness. If present, he would vote "yea."

The result was announced—yeas 55, nays 21, as follows:

YEAS—55

Ashurst	Curtis	La Follette	Robinson, Ind.
Bayard	Deneen	Lenroot	Sheppard
Bingham	Dill	McKellar	Shipstead
Blease	Ferris	McLean	Shortridge
Bratton	Frazier	Moses	Simmons
Brookhart	George	Neely	Smith
Broussard	Gerry	Norbeck	Stephens
Bruce	Hale	Norris	Swanson
Butler	Harris	Nye	Trammell
Cameron	Harrison	Oddie	Tyson
Capper	Heflin	Overman	Walsh
Caraway	Howell	Pepper	Weller
Copeland	Johnson	Ransdell	Willis
Cummins	Kendrick	Reed, Pa.	

NAYS—21

Borah	Fess	McKinley	Wadsworth
Couzens	Gillett	Metcalf	Warren
Dale	Glass	Phipps	Williams
Edge	Goff	Pine	
Ernst	Jones, Wash.	Sackett	
Fernald	King	Smoot	

NOT VOTING—20

du Pont	Harreld	Mayfield	Schall
Edwards	Jones, N. Mex.	Means	Stanfield
Fletcher	Keyes	Pittman	Underwood
Gooding	McMaster	Reed, Mo.	Watson
Greene	McNary	Robinson, Ark.	Wheeler

So Mr. COPELAND's resolution as modified was agreed to.

UNITED STATES INDUSTRIAL REFORMATORY, CHILLICOTHE, OHIO (S. DOC. NO. 57)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting a supplemental estimate of appropriation, under the Department of Justice, fiscal year 1926, required for the United States Industrial Reformatory at Chillicothe, Ohio, amounting to $37,500, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

PAY OF SPECIAL ASSISTANT ATTORNEYS, UNITED STATES COURTS (S. DOC. NO. 58)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting a supplemental estimate of appropriation, under the Department of Justice, for pay of special assistant attorneys of the United States courts, amounting to $46,000, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

FIRES AND FLOODS IN NATIONAL PARKS (S. DOC. NO. 59)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting a supplemental estimate of appropriation, under the Department of the Interior, for emergency reconstruction and fighting forest fires in national parks, 1926, amounting to $40,000, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

SALARIES AND EXPENSES, BUREAU OF EFFICIENCY (S. DOC. NO. 56)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting a supplemental estimate of appropriation for salaries and expenses, Bureau of Efficiency, fiscal year 1926, amounting to $25,000, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

GENERAL EXPENSES, WEATHER BUREAU AND FOREST SERVICE (S. DOC. NO. 60)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, with an accompanying letter from the Director of the Bureau of the Budget, transmitting supplemental estimates of appropriations under the Department of Agriculture for general expenses of the Weather Bureau, 1926 (forest fire weather forecasts), amounting to $2,500, and for general expenses, Weather Bureau, 1927, (forest fire weather forecasts), amounting to $15,000, and for general expenses of the Forest Service, 1926, amounting to $800,000, which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Farrell, its enrolling clerk, announced that the House had passed bills of the following titles, in which it requested the concurrence of the Senate:

H. R. 3807. An act granting relief to the Metropolitan police and to the officers and members of the fire department of the District of Columbia;

H. R. 5010. An act to provide for the payment of the retired members of the police and fire departments of the District of Columbia the balance of retirement pay past due to them but unpaid from January 1, 1911, to July 30, 1915;

H. R. 7669. An act to provide home care for dependent children; and

H. R. 8830. An act amending the act entitled "An act providing for a comprehensive development of the park and playground system of the National Capital," approved June 6, 1924.

ENROLLED BILLS SIGNED

The message also announced that the Speaker of the House had affixed his signature to the following enrolled bills, and they were thereupon signed by the Vice President:

H. R. 5240. An act to authorize the construction of a bridge across Fox River, in Dundee Township, Kane County, Ill.;

H. R. 6090. An act granting the consent of Congress to the State of Illinois to construct, maintain, and operate a bridge and approaches thereto across the Fox River in the county of McHenry, State of Illinois, in section 18, township 43 north, range 9 east of the third principal meridian; and

H. R. 7187. An act granting the consent of Congress to the South Park commissioners and the commissioners of Lincoln Park, separately or jointly, their successors and assigns, to construct, maintain, and operate a bridge across that portion of Lake Michigan lying opposite the entrance to Chicago River, Ill.

PETITIONS AND MEMORIALS

Mr. WILLIS presented resolutions adopted by the Brotherhood of Railroad Trainmen, of Canton, Ohio, protesting against the passage of legislation amending the employers' liability act of 1908, which were referred to the Committee on the Judiciary.

He also presented a memorial signed by Carl Raid, Prof. P. A. Fant, Jos. Muzslay, Anton Lewandowski, Frank Svoboda, being the resolutions committee representing the foreign-language newspapers of the city of Cleveland, Ohio, remonstrating against the passage of the so-called Aswell bill (H. R.

5583) providing for the registration of aliens, which was referred to the Committee on Immigration.

Mr. NEELY. I present a memorial of the Rotary Club, of Fairmont, W. Va., remonstrating against the passage of the bill (H. R. 4478) to regulate the manufacture, printing, and sale of envelopes with postage stamps embossed thereon. I ask that the memorial be referred to the Committee on Post Offices and Post Roads, and printed in the RECORD.

There being no objection, the memorial was referred to the Committee on Post Offices and Post Roads, and ordered to be printed in the RECORD, as follows:

FAIRMONT ROTARY CLUB,
Fairmont, W. Va., February 2, 1926.

Hon. M. M. NEELY,
437 Senate Office Building, Washington, D. C.

DEAR SIR: At a regular meeting of the Rotary Club, of Fairmont, W. Va., held on January 28, H. R. 4478, a bill to regulate the manufacture, printing, and sale of envelopes with postage stamps embossed thereon, was carefully considered by the members of this club, and, after full consideration thereof and discussion thereon, I was directed by unanimous vote of all of the members of the club present at that meeting to advise you that such members were unanimously opposed to this bill being enacted into a law, and that they request you to use your influence in defeating this measure. I do not consider it necessary to point out the pernicious features of this bill or the harm which would result to all of the business men of this country if the bill became a law.

Very respectfully, H. E. ENGLE,
Secretary of the Fairmont Rotary Club.

"*Resolved*, That the board of directors of the Business Men's Association of Fairmont approve the existing regulations in regard to the manufacture, printing, and sale of Government envelopes; and be it further

"*Resolved*, That to restrict or limit the present method of manufacture, printing, and sale of stamp-embossed envelopes by the Government would cause unnecessary inconvenience to large users of postage without material financial gain to the one industry most affected by the passage of such restrictions as embodied in House of Representatives bill No. 4478 now pending before the National Congress; and be it further

"*Resolved*, That the secretary of this association forward a copy of this resolution to our two United States Senators and our Representatives in the National Congress."

I, G. R. Parsons, hereby certify that I am secretary of the Business Men's Association of Fairmont, and that the foregoing is a true copy of a resolution passed by the board of directors of said association in regular meeting held on the 2d day of February, 1926.

G. R. PARSONS.

Mr. CAMERON presented the following resolutions of the fourteenth annual convention of the Arizona Good Roads Association, at Yuma, Ariz., which were referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

FOURTEENTH ANNUAL CONVENTION OF THE ARIZONA GOOD ROADS ASSOCIATION, YUMA, ARIZ., JANUARY 25–26, 1926

Resolution 2

To the Arizona Good Roads Association:

Your committee on resolutions recommends that this organization place itself unequivocably behind the Federal plan for good roads cooperation, and against the movement designed to withdraw Federal aid from the financing of roads in the Western States.

FOURTEENTH ANNUAL CONVENTION OF THE ARIZONA GOOD ROADS ASSOCIATION, YUMA, ARIZ., JANUARY 25–26, 1926

Resolution 5

Whereas the Grand Canyon of the Colorado River in Arizona is one of the great scenic wonders of the world and of the United States and has been a great national park; and

Whereas many thousands of visitors from all parts of the United States and of the world visit this great scenic wonder annually, and our Government is improving the roads within the park for the benefit of these visitors, but there is no improved road connecting the Grand Canyon National Park with the State highway system of Arizona; and

Whereas 98 per cent of the visitors to the Grand Canyon come from points without the State of Arizona; and

Whereas a survey has been made by the Bureau of Public Roads for an approved road to the Grand Canyon; and

Whereas any approach road to the Grand Canyon traverses forest or Government land from which the State of Arizona derives little or no revenue from taxation for the construction and maintenance of this road: Now therefore be it

Resolved by the Arizona Good Roads Association, That we urge and request our representatives in Congress to use their utmost endeavors to secure the necessary appropriation from our National Government to construct an approach road to the Grand Canyon and pledge our support to the measure.

Mr. CAMERON also presented resolutions of the fourteenth annual convention of the Arizona Good Roads Association, at Yuma, Ariz., which were referred to the Committee on Indian Affairs and ordered to be printed in the RECORD, as follows:

FOURTEENTH ANNUAL CONVENTION OF THE ARIZONA GOOD ROADS ASSOCIATION

YUMA, ARIZ., *January 25–26, 1926.*

Resolution 10

Whereas in the States of the Union known as the Rocky Mountain States land values are very low and in no wise comparable to land values in the middle and eastern States, and in said Rocky Mountain States distances between communities are very great and taxable property scarce; and

The people of the Rocky Mountain States have already expended more for good transcontinental roads than they are able financially to spend; and

It is necessary for the public convenience of the people of the Nation as a whole that good roads be maintained in said States, and in said States a great majority of the lands are still vacant public lands, Indian lands, forest reserves, and parks, all of which are nontaxable: Be it

Resolved, That it is the sense of the delegates to this convention that the Federal Government should build and maintain wholly at its own expense all public roads through Indian reservations, forest reserves, military reservations, and national parks or monuments in said States, and that said States be released from any expense in building or maintenance of public roads in such places.

That copies be sent to Congressmen, the Committee on Public Roads of the House of Representatives, to the United States Senate, and to the Department of Agriculture, and to good roads associations in the other States concerned.

FOURTEENTH ANNUAL CONVENTION OF THE ARIZONA GOOD ROADS ASSOCIATION, YUMA, ARIZ., JANUARY 25–26, 1926

Resolution 6

Whereas Congress made an appropriation of $100,000 to construct a highway bridge across the Colorado River near Lee's ferry, contingent upon the State of Arizona making an equal appropriation, but our State legislature has failed to make the necessary appropriation to match this fund, and

Whereas the construction of the bridge is of vital and paramount importance to the State of Arizona in developing a north and south highway connecting our State highway system with the State highway system of Utah and that section of Arizona lying north of the Grand Canyon: Now therefore be it

Resolved, That this Arizona Good Roads Association hereby indorses this construction of this bridge as absolutely necessary for the proper development of the resources of Arizona and the promotion of trade and travel between the States of Utah and Arizona, and urge that our State legislature make the appropriation necessary to provide the construction of this bridge at the earliest possible date.

REPORT OF BANKING AND CURRENCY COMMITTEE

Mr. McLEAN, from the Committee on Banking and Currency, to which was referred the bill (S. 1544) to amend section 202 of the act of Congress approved March 4, 1923, known as the agricultural credits act of 1923, reported it without amendment and submitted a report (No. 155) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. JOHNSON:

A bill (S. 3050) for the erection of a public building at the city of Placerville, State of California, and appropriating money therefor; to the Committee on Public Buildings and Grounds.

A bill (S. 3051) authorizing any tribe or band of Indians of California to submit claims to the Court of Claims; to the Committee on Indian Affairs.

A bill (S. 3052) to amend an act entitled "An act for preventing the manufacture, sale, or transportation of adulterated or misbranded or poisonous or deleterious foods, drugs, medicines, and liquors, and for regulating traffic therein, and for other purposes," approved June 30, 1906, as amended; to the Committee on Agriculture and Forestry.

By Mr. CAPPER:

A bill (S. 3053) to amend sections 5, 6, and 7 of the act of Congress making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal

year ending June 30, 1903, approved July 1, 1902, and for other purposes; to the Committee on the District of Columbia.

By Mr. MEANS:

A bill (S. 3054) for the relief of S. Livingston & Son and others; and

A bill (S. 3055) for the relief of Lawford & McKim, general agents, for the Employers' Liability Assurance Corporation (Ltd.), of London, England; to the Committee on Claims.

By Mr. DENEEN:

A bill (S. 3056) authorizing the President to appoint James B. Dickson a second lieutenant of the Air Service in the Regular Army of the United States; to the Committee on Military Affairs.

By Mr. NEELY:

A bill (S. 3057) providing for the erection of a public building at Philippi, W. Va.; to the Committee on Public Buildings and Grounds.

A bill (S. 3058) granting a pension to Santford M. Nestor;

A bill (S. 3059) granting an increase of pension to Peter Titchenell;

A bill (S. 3060) granting an increase of pension to Mary C. Herrington; and

A bill (S. 3061) granting an increase of pension to Mary J. McBee; to the Committee on Pensions.

By Mr. WILLIS:

A bill (S. 3062) granting an increase of pension to Hetty Morey (with accompanying papers); to the Committee on Pensions.

By Mr. WATSON:

A bill (S. 3063) granting an increase of pension to Rose Dilley (with accompanying papers); to the Committee on Pensions.

A bill (S. 3064) for the relief of the Capital Paper Co.; to the Committee on Finance.

By Mr. SHEPPARD:

A bill (S. 3065) to provide for examination and survey of the Houston Ship Channel, with the view to its further improvement; to the Committee on Commerce.

By Mr. COPELAND:

A bill (S. 3066) restricting the issuance of passport visas in certain cases; to the Committee on Foreign Relations.

By Mr. CARAWAY:

A bill (S. 3067) for the relief of Rhetta H. Guild; to the Committee on Finance.

By Mr. McKINLEY:

A bill (S. 3068) authorizing the payment of $1,000 to William M. and J. S. Van Nortwick estates; to the Committee on Claims.

By Mr. DENEEN:

A joint resolution (S. J. Res. 53) authorizing and directing the Secretary of War to accept and install a tablet commemorating the designation of May 30 of each year as Memorial Day by General Order No. 11, issued by Gen. John A. Logan, as commander in chief of the Grand Army of the Republic; to the Committee on Military Affairs.

AMENDMENTS TO TAX REDUCTION BILL

Mr. NORRIS submitted an amendment intended to be proposed by him to House bill 1, the tax reduction bill, which was ordered to lie on the table and to be printed, as follows:

On page 43, after line 13, insert the following: "*Provided*, That the excess in value above $5,000 of any gift, bequest, or inheritance shall be considered and accounted for as gross income."

Mr. CARAWAY submitted an amendment intended to be proposed by him to House bill 1, the tax reduction bill, which was ordered to lie on the table and to be printed, as follows:

Page 334, after line 10, insert a new section, to read as follows:

"SEC. —. If any information relating to the liability of any taxpayer for any internal-revenue tax is obtained or received from any person other than the taxpayer and is considered by any officer, employee, or agent of the Treasury Department, or of any bureau or division thereof, in determining such liability, then the taxpayer shall, after due notice giving the nature of the information and the name and address of the person from whom such information was obtained or received, be afforded a reasonable opportunity to be heard in respect thereof."

AMENDMENT TO FIRST DEFICIENCY APPROPRIATION BILL

Mr. PEPPER submitted an amendment intended to be proposed by him to House bill 8722, the first deficiency appropriation bill, 1926, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

On page 5, after line 14, insert the following:

"NATIONAL SESQUICENTENNIAL EXPOSITION

"To enable the Government of the United States to make an exhibit at the Sesquicentennial Exposition, to be held in the city of Philadelphia, Pa., in the year 1926, from its executive departments, independent offices, and establishments, including personal services, cost of transportation, rent, construction of buildings, traveling expenses, and for such other purposes as may be deemed necessary by the National Sesquicentennial Exhibition Commission to commemorate the one hundred and fiftieth anniversary of the birth of the Nation, $3,186,500, of which not more than $250,000 shall be allocated to the War Department, and not more than $350,000 to the Navy Department, of which latter sum $250,000 shall be used for making repairs and improvements at the Philadelphia Navy Yard: *Provided*, That so much of the money herein appropriated as may be allocated for the construction of buildings shall be expended by the Sesquicentennial International Exposition upon written approval of the National Sesquicentennial Exhibition Commission, and that the residue of the moneys herein appropriated shall be expended by the National Sesquicentennial Exhibition Commission."

SARAH J. M'DONNELL

Mr. SWANSON submitted the following resolution (S. Res. 144), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the miscellaneous items of the contingent fund of the Senate, fiscal year 1925, to Sarah J. McDonnell, mother of Stella M. McDonnell, late an additional clerk in the office of Senator CLAUDE A. SWANSON, a sum equal to six months' salary at the rate she was receiving by law at the time of her death, said sum to be considered inclusive of funeral expenses and all other allowances.

PRESIDENTIAL APPROVALS

A message from the President of the United States, by Mr. Latta, one of his secretaries, announced that on February 8, 1926, the President had approved and signed the following acts:

S. 1779. An act granting the consent of Congress to the States of Oregon and Idaho to construct, maintain, and operate a bridge and approaches across the Snake River at a point known as Ballards Landing;

S. 1810. An act granting the consent of Congress to the State of Illinois to construct, maintain, and operate a bridge and approaches thereto across the Fox River in the county of La Salle, State of Illinois, in section 1, township 33 north, range 3 east of the third principal meridian; and

S. 1811. An act granting the consent of Congress to the State of Illinois to construct, maintain, and operate a bridge and approaches thereto across the Fox River in the county of Kendall, State of Illinois, in section 32, township 37 north, range 7 east of the third principal meridian.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Farrell, its enrolling clerk, announced that the House had passed a bill (H. R. 6556) for the establishment of artificial bathing pools or beaches in the District of Columbia, in which it requested the concurrence of the Senate.

HOUSE BILLS REFERRED

The following bills were severally read twice by title and referred to the Committee on the District of Columbia:

H. R. 3807. An act granting relief to the Metropolitan police and to the officers and members of the fire department of the District of Columbia;

H. R. 5010. An act to provide for the payment of the retired members of the police and fire departments of the District of Columbia the balance of retirement pay past due to them but unpaid from January 1, 1911, to July 30, 1915;

H. R. 6556. An act for the establishment of artificial bathing pools or beaches in the District of Columbia;

H. R. 7669. An act to provide home care for dependent children; and

H. R. 8830. An act amending the act entitled "An act providing for a comprehensive development of the park and playground system of the National Capital," approved June 6, 1924.

CONSUMERS' COOPERATION

Mr. BROOKHART. I ask unanimous consent to have printed in the RECORD the Cooperative News Service of the 1st instant.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

COOPERATIVE NEWS SERVICE,
Cleveland, Ohio, February 1, 1926.

CO-OP BEATS CHAIN STORE TO STANDSTILL

One of the standard reasons for the slow growth of consumers' cooperation in America has been the prevalence of chain stores. With

their purported savings to purchasers through the familiar economies of mass distribution, these chain stores have been held to be ruinous competitors to cooperative stores.

Now comes the Waugegan (Ill.) Cooperative Trading Co. and knocks that explanation into a cocked hat. This co-op has been "suffering" from chain-store competition for five years and is now doing the biggest business of its career, while the chain store languishes in anemia, To be specific, the Waukegan Cooperative has trebled its business since the chain-store competitor opened shop.

The key to this success has been simply that the cooperative store handles honest merchandise at reasonable prices with profits divided among its members, while chain stores are generally notorious for inferior food products, "come-on" bargains in a few commodities and prices which in the long run are high because of the poor quality of the goods.

Nevertheless, the chain-store policy evidently appeals to the gullibility of the American consumer. There is no other explanation for the tremendous profits these concerns distribute to their wealthy owners. The S. H. Kresge Co., which handles 10-cent stores in wholesale quantities, reported profits of $4,100,000 last year, a million increase over the previous year. Profits in 1925 after payment of preferred dividends, were equal to $33 a share on 120,000 shares of common stock of $100 par value. In 1924 it was "only" $25 a share.

CONDUCTORS SAVE $22.50 ON EACH WATCH

The joy in Christmas giving was considerably tarnished for one Cleveland woman the other day when she discovered that a railroad man's watch which she had bought for her husband for $67.50 could have been obtained from the cooperative mail-order house of the Order of Railroad Conductors for $45. The watch is a standard make with a regular sale price, but because the conductors' co-op doesn't have to pay high rents or indulge in the advertising extravagances of jewelry shops, it is able to save $22.50 for each member on watches alone.

The conductors are also effecting a saving on shoes of $2 a pair. For railroad men this is a big item, since the nature of their work makes heavy demands on shoe leather. Members who are buying conductors' shoes for all the masculine side of the family are actually saving enough to pay their annual dues to the brotherhood.

BUTTER AND EGGS MEN TO UNITE

America's biggest cooperative will be the Tri-State Cooperative Creamery Association, if merger plans of dairymen in Iowa, Minnesota, and Wisconsin are consummated this spring. The nucleus of the new co-op will be the Minnesota association whose famous trade-mark, "Land O' Lakes," has been made familiar to every householder in the country through page advertisements. The combined forces of 90,000 farmers in the three States, united to market the Northwest's butter crop, would do an annual business of $75,000,000. Such economies would result that the dairy industry would be lifted to new heights of prosperity and the farmer's return made comparable with that of industry.

The Minnesota association will move into a new Minneapolis plant costing $300,000 this month in order to handle rapidly expanding business.

Cooperation is a civilizing influence of the highest kind. (Bishop Lightfoot.)

The only check against the excesses of competition is cooperation. (Ernest Jones.)

Under cooperation, the temptation to dishonest practices is withdrawn. (Earl of Derby.)

TORY GOVERNOR KILLS CREDIT UNION BILL

Although the conservative Washington State Senate passed the credit union bill by a unanimous vote, while the House placed its O. K. on the measure by a vote of 81 to 13, Gov. Roland Hartley used his veto power to kill this fundamental piece of farm-labor legislation. Even supporters of the governor, thoroughly aware of his reactionary political views gained through virtue of his position of lumber magnate, did not expect that the credit union bill, after obtaining unanimous approval in the senate, would fall under Hartley's disapproval. The credit union bill was in good company, however, as bills providing for old-age pensions, for vocational rehabilitation of cripples, and for pensioning aged municipal employees also suffered under the governor's veto ax.

The Washington Federation of Labor, which vigorously backed the credit union measure, through its president, William M. Short, will continue the fight for this cooperative legislation, as well as for other farm and labor measures, in the next session of the legislature.

GIANT POWER CO-OP FORMED

While America is merely talking about the public control of the giant power of electricity, French cooperators are making it a reality. A nonprofit cooperative society, composed of consumers, the state, provinces, and cities, the chambers of commerce, and the industries, has been formed to harness the river Rhone. Dividends are to be strictly limited and control will be vested in the hands of power users, who are also the shareholders. The scheme will take 15 years for development.

Similar organizations are working potash mines in Alsace and synthetic ammonia manufacturing in Toulouse. Financing and control are in consumers' hands, no profits are allowed, and interest on capital is strictly held to the current minimum rate.

EGGS SOLD DIRECTLY TO CONSUMER

Consumers who tire of being robbed by storekeepers foisting undersized eggs at oversized prices are finding relief in New England by patronizing a consumer's cooperative. The Maine Poultry Producers' Association, which sold 500,000 dozen eggs last year for its members, instituted the new idea in direct marketing by establishing egg routes in Portland, Me.; Portsmouth, N. H.; and Lynn, Mass. These have proved so successful that the cooperative trade-mark of "Pine Tree" on eggs is now a guaranty of 24-ounce eggs. Smaller eggs are sold as "juniors" at a lower price. Both farmers and consumers are happy over this new marketing plan.

FRANKLIN DIRECTORS REELECTED

A dividend of 7 per cent was voted by the Franklin Cooperative Creamery Association of Minneapolis, Minn., at the seventh annual meeting held recently at its northside plant.

Sales for the year 1925 showed an increase of $231,699.11 over the year 1924. The cooperative is now operating 176 routes.

As a result of the election, the following directors were reelected: Harold I. Nordby, Carl N. Norlander, Anthony Rud, John A. Mattson, Joseph Flor, T. A. Eide, and John A. Mattson.

Reports showed the cooperative in a state of healthy progress. Sales increased from $844,063.39 in 1921, the first year that the Franklin was in operation, to $3,533,175.13 for the year 1925.

In addition to declaring the 7 per cent dividend, $20,000 in bonds were paid off and retired during the year and more than $30,000 placed in the reserve fund.

PAYMENTS BY WAR DEPARTMENT TO LEATHER MANUFACTURERS
(S. DOC. NO. 61)

Mr. WARREN. From the Committee on Appropriations I report back a communication from the Comptroller General of the United States with reference to payments made by the War Department to certain leather manufacturers, members of the National Saddlery Manufacturers' Association, in reimbursement of increase of wages paid to workmen when the contracts with those manufacturers did not provide therefor. This communication was sent to the Committee on Appropriations, and I ask that it may be printed and referred to the Committee on Claims.

The PRESIDING OFFICER (Mr. HEFLIN in the chair). Without objection, the communication will be printed and referred to the Committee on Claims.

COOPERATIVE MARKETING OF FARM PRODUCTS

Mr. HARRELD. Mr. President, I ask permission to have printed in the RECORD a speech delivered by Judge Robert W. Bingham, of Louisville, Ky., on cooperative farm legislation. It is a very fine speech, which he delivered a few days ago in Washington. I should like to have it printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The speech referred to is as follows:

SPEECH OF JUDGE BINGHAM

The most important thing that has happened in cooperative marketing during the past year has not happened inside of the cooperative movement itself. It has been the unreserved recognition of cooperative marketing by the President of the United States and the Secretary of Agriculture.

There has always been a sympathetic attitude by the President and his leading agriculture adviser; but until this year there never was a time when the cooperative movement, as such, was held out by the Government itself to the farmers as the single most important step to remedy the weaknesses in agriculture and to strengthen the chance for permanent prosperity.

A year ago we were fearful that the report of the President's conference would be enacted into law. We were afraid that Government regulation of cooperatives was about to come, and that the cooperative movement would become tepid and stale.

With regret—but nevertheless openly—we found ourselves in opposition to the attitude of the administration on some points. We expressed ourselves frankly and clearly, and with the aid of other important farm leaders we helped to persuade Congress that such legislation was unwise.

But we were not simply negative; we also stated that we believed that the administration could do something great and far-reaching for the farmer by placing itself squarely behind cooperative marketing and by giving real administrative support to the movement.

During this year the President came to know the cooperative movement and the cooperative leaders. His Secretary of Agriculture, himself a member of one of the wheat cooperative associations, not only understood commodity cooperative marketing but advocated it with engaging and convincing intelligence.

The administration, voicing itself through the head of the Government and his chief agricultural adviser, spoke eloquently in favor of the very program that had been worked out and advocated by this body.

Not only did they announce their faith and belief in cooperative marketing, not only did they urge universal support for cooperative marketing, but they discovered that the Department of Agriculture did not have enough men or other facilities with which to do sufficient work to provide adequate administrative support, and on their own initiative they recommended legislation which would establish a Bureau of Cooperative Marketing in the Department of Agriculture, so that the Secretary of Agriculture and specialists assigned to this bureau could help to guide and advise on all cooperative problems that may arise in America.

The President has courageously and effectively announced his approval and advocacy of cooperative marketing.

The leader of the cooperative movement in this country now sits in the White House, and we who have dreamed and hoped for this day—we must now follow that leader.

Everything that we asked for, everything that we hoped for, has now been given to us in the attitude of the President and his Secretary of Agriculture. We presented a program; we urged that program; and the President studied and listened—and now he has expressed that program more clearly, more definitely, and more forcibly than has ever been done by any Government official in this land.

We are the followers of the President and the supporters of the administration in its efforts to carry out the very program which this group presented a year ago.

That is the great thing that has happened during this year—a change in leadership from struggling group champions to the President of the United States.

(2) But the President by advocating our program has raised protests from other quarters.

Some organizations did not like to see the President stand on the foundation of commodity cooperative marketing. They construed his attitude as a recognition of this group as against other groups in the land. This is not necessary. The President is big enough to take the light from any source. We are honored in having carried to his hand this one clear torch of cooperation. We are not urging our policies as against other organizations. We do not infringe upon the spheres of interest of other groups. We simply urge what seems to be the necessary steps in the progress of cooperative marketing, and that policy we maintain in the face of the world.

But we do not ignore other things that may be said. Many sincere leaders are of the belief that our program is insufficient and that cooperative marketing does not offer an adequate solution to the problems of the farm.

These problems are many. In various sections land prices have been pyramided to an extent where fair return is almost impossible, where new farmers can not buy possession of land, and old ones can not maintain the basis of cost out of the products of the farm.

The burden of the farm mortgage is around $8,000,000,000, with a tremendous weight of interest on hundreds of thousands of farms in our land.

The tax problem is bitter. During good years the farmer generously voted on himself taxation for schools and other proper improvements. Even when prices collapse and farm prosperity dwindles, these costs still remain. The farmer pays a greater proportion of his income in taxes than any other group in America.

Practically all of his property is in sight. He can not hide it and he can not and would not cheat about it. Therefore he bears the burden of taxation on his land even when he has nothing but red letter returns on his crops.

On things like this there is very little that cooperative marketing can do in a direct way. We can not at this time judge what cooperative marketing can do over a long term of years on any of the great major crops. We have had laboratory experience in California. We have had wonderful experience in many European countries, such as Denmark. We have had an extraordinary demonstration of wheat cooperative marketing in Canada; we are still in the midst of extraordinary accomplishments in tobacco, cotton, butter, milk, and other commodities in our own country.

But what the movement is actually going to accomplish with the great national products we can not now speak with assurance.

We are just at the threshold of the real accomplishments of cooperative marketing. We have spent these years in working out the technique, in building the background of law, in finding out and announcing the economic principles, in developing methods of organization, in discovering managing personnel, in working out financing and marketing methods, in developing proper contacts between associations and members, in uncovering the weaknesses of old systems, the defects in our present system, and primarily the great need for education among farmers and others as to the principles of cooperative marketing.

We have done in the last five years more than was done by the corporate form of organization in the first 20 years in which corporations were first known.

And all that we have done has been done in the face of incredible opposition. We have not only had to educate our own farmers and to court the support of other farm leaders, but we have had to show bankers where they would fit in; we have had to satisfy the claims of lien holders; we have had to encounter open fight from all sorts of speculative interests; we have had to combat the inertia of our own farm classes; we have had to endure the weakness in performance of our own membership agreements.

It has been a tremendous fight all over the land. We have not always won; some of our fights have been lost. Cooperatives are failing and more will fail, but in their place new cooperatives will arise stronger for the experience of the old ones and more hopeful because of that ripened experience.

We are learning from our failures to make our new efforts promise great success.

But we can not do this work in a day. It is the work of years. The old system has been with us for generations and we can not change every detail of it in a decade.

Why, we have not even been able to tie our own farmers, universally speaking, to the need for cooperative marketing.

Until the voice of the President gave his invincible national leadership you know how many farm leaders were cold, if not actually antagonistic, to our movement.

We have had to work with too many things against us.

Look at the results with cotton. They have less than 8 per cent of the cotton crop of America in the cooperative associations. Yet even the brokers at New York publish openly that the cotton associations have favorably affected the price basis for the farmers of the South.

With that small percentage these associations have guaranteed to the farmers honest grading of their cotton; they have narrowed down the differentials between grades of cotton, and in this one point alone these cotton cooperatives have brought to the southern farmers tens of thousands of dollars of benefit each year.

Because the country buyer no longer dares to penalize poorer grades 5 and 7 cents a pound when the differential at the mill is only 1 cent per pound.

He knows that the cooperative managements will somehow disclose that fact to their members and that the member will somehow make it public for all growers.

So the country buyers do not dare to widen the differentials any longer against either the cooperatives or the noncooperatives.

That one accomplishment would have been sufficient to justify the entire cooperative movement in the South during the last five years.

But the cotton associations have done more than that. They have taught the farmers to avoid country damage. They have arranged new plans for financing, whereby the farmers can do orderly marketing on cotton on an interest of 4½ and 5 per cent as against the old basis of from 10 to 12 per cent.

They have done orderly marketing and have held the basic price to fair levels by their refusal to dump.

They have made direct contacts with spinners and spinner organizations all over the world. They have blazed out the path so that these coming years will know where to point.

The cotton cooperatives, with their small percentages, have demonstrated beyond any question, with one of the great world crops, spread through 17 States of the Union, that cooperation can solve the marketing problem and every collateral problem attached to it, including standardized seed, production credits, ginning, financing, and orderly selling of products.

What the effect of this movement will be on the South when the growers support it to the extent of 50 per cent of the cotton, as they ought to be doing now and as they will inevitably do, no one can foretell.

The support of the President and the wise handling of cooperative problems by the present organizations indicate that these cotton cooperatives will soon have the opportunity to demonstrate what can be accomplished by cooperation when the greater part of the crop moves through the cooperative and not through the speculative buyers.

This is already being demonstrated by the wheat growers of Canada and by the Burley tobacco growers in Kentucky.

To be sure I know of all the criticisms and complaints that have arisen among Burley tobacco growers. I know how they recite the benefits accruing to the outsider and tell how the nonmember gets as much money, if not more, and gets his money quickly and all at once, while the cooperator takes the average of the season, gets only an advance payment, waits long periods for the balance of the payments, and sometimes does not sell the entire crop, but has to bear the great carry-over.

But this does not deny accomplishment to the Burley Tobacco Association.

That association, with more than 60 per cent of the Burley tobacco of the country, has raised the price of tobacco to the growers of Burley tobacco at least 5 cents per pound during these last four years.

It has done this service for the outsider as well as for the insider, and shame on the outsider who takes the advantage of this extra price and uses it to help break down the cooperative! It is bad enough that he takes a gain at the risk and cost of the other fellow and a disgrace when he tries to justify his own disloyalty to his class by tearing down the one hopeful thing that these farmers have done for themselves in this generation.

But the cooperators must see this thing clearly. Some outsiders will always get a better price than the insiders.

The cooperatives get the average of the season. This average includes top prices as well as low prices, and these top prices can ultimately be equaled on some days on the auction floors.

The outsider who gets these top prices will beat the average of the cooperative, but neither he nor a cooperative would be getting within 5 cents of their present price if the cooperative were not in existence.

We must not let our members deny a good to themselves, because it likewise brings a good to some one else, even though he does not deserve it.

In every generation the good have carried the evil, the strong have carried the weak, and the fine spirited have carried the sordid.

In agriculture the cooperative carries the selfish farmer, and nothing on earth can change this situation except a change in the spirit of the selfish farmer.

But the accomplishment of the Burley Association is a monument to independent effort on the part of the American farmers.

It has a large carry-over. Even if that carry-over were never sold but were dumped into the seas still the returns to the Burley tobacco growers exceed by millions of dollars what they would have received without a cooperative association.

In the dark tobacco district, where the cooperative efforts have been somewhat paralyzed, even there the very existence of that cooperative advanced the price several cents per pound, and the withdrawal of the cooperative from active business has caused a collapse in the dark tobacco prices to a tragic extent, and now the outsiders themselves are demanding the reorganization of the cooperative and pledging unanimous support to it.

The cooperatives have performed; and they are reaching behind the products and finding how to rebuild the agricultural life of America.

But they have chiefly blazed out the way. They have not finished their performance; nor have they always had a chance to demonstrate even a possible part of their performance.

The wheat growers are asking the Government to form a corporation to handle the so-called exportable surplus; and they have been led to think that their low returns have been due to the absence of such a corporation.

They speak of inequalities against agriculture and they attack the protective tariff as the basis of that inequality; and they say that the tariff taxes all that they buy and that the tariff is an evil to them. They assert that the tariff is here and they must get its benefit; and they evolve a system under which they think the Government may control the exportable surplus and sell the domestic wheat or cotton or tobacco or livestock or cheese or butter in this country on a protected domestic basis and sell the balance on the low world-market basis, with an absorption of any loss by the growers of the product.

Why should the Government interfere? It is an old principle with us never to ask the Government to do anything which we can do ourselves. If we can not do it ourselves after an adequate chance to do so, then we can throw up our hands and call in Government help.

Have we reached that phase even with wheat?

Surely the tariff argument gives no basis for such a viewpoint. If the tariff is wrong you can not make it right by making it universal.

I have never wholly accepted the protective tariff; but I do not here speak as its advocate or its opponent. I speak as a citizen of the United States, as the chairman of this national council; and I speak in the spirit of the hundreds of thousands of farmers of various political parties whose indirect representative I am in everything that I utter here.

In addition to all this, there is a tariff on wheat—a big, heavy tariff, 42 cents per bushel. That tariff has its effects, because the Chicago price of wheat is now more than 15 cents per bushel higher than the price at Winnipeg, thus showing some effect from tariff protection.

But the wheat growers say this is not sufficient. They complain that they are not able to get all the good effects of the tariff, although they claim that business gets all the good effects of industrial tariffs.

Why is it that the United States Steel Corporation gets the benefit of the tariffs on steel while, the wheat growers claim that they receive no benefit from their tariff?

The difference is not in the tariff; the difference is in organization. The people interested in steel, several hundred thousands of them, are members of the steel corporations.

The wheat growers, several hundred thousands of them, are using their energy and talent in persuading politicians to pass laws instead of following the primary leadership of the wheat pools that have already started to work out a probable solution in States ranging from Texas to North Dakota.

If the exportable surplus is the thing that breaks the market on wheat, why is it that Canada, selling more than 300,000,000 bushels of wheat, about three-fourths of the crop in the world market, with no tariff to help her, with no Government surplus corporation to aid—but with a powerful cooperative marketing association built up under the brilliant leadership of men like Brownlee and McPhail, is able to give greater returns to their wheat growers of Canada than the wheat growers of our own great States like Kansas, Nebraska, and Minnesota?

The Canadians are organized; only a small part of our growers has learned organization. It is not the tariff which counts: it is organization which alone can enable the farmers of this country to get the benefit of their own good wheat, either in the face of a tariff or in the absence of a tariff.

The average farmer in Kansas sold his wheat this fall, and he did not take advantage of the fine marketing association that the far-visioned men of Kansas have built up for him. Less than 10 per cent of Kansas wheat goes through the cooperative pool. Yet the Kansas wheat grower, with the 42 cents per bushel protection, with a present price of about $1.75 at Chicago, will receive about 30 cents a bushel less for his wheat than the Canadian farmer, with a $1.60 price at Winnipeg.

Freight rates do not make any difference in this relative statement. Climate makes no difference. World markets made no difference. The tariff itself seems to be working the other way. The one difference is made by cooperative organization.

The Canadians looked over the line and saw what was being done by cooperation in America. They had courage enough and vision enough to organize on American lines for the handling of their great world product. They are solving their problem out of their own strength and their own courage, while we in America still falter before our own picked remedy. We kick it aside and run down to Washington to ask the "great father" to hold our little feet in the paths of prosperity.

I shall never favor the interference of Government in the marketing of farm crops until cooperative marketing has had a fair trial on a large scale and has proved a failure. Before I urge men to become peasant-minded, to ask some one else to work out for them what they can do for themselves, I must first exhaust every opportunity to keep them independent American farmers.

Why all the clamor from the corn States? Why, the Iowa farmers must know that we produce about 70 per cent of the corn, and we eat practically all of that, chiefly in the form of hogs and stock.

If the country exports 2 per cent of the corn crop, it is a huge export quantity.

Corn is essentially a domestic problem; and the corn production is so concentrated that it can be handled practically by the efforts of the farmers in five or six States. Yet some of their leaders clamor for an export corporation. They have been caught by words and phrases and not by thoughts and facts.

This surplus problem can not be written into legislation until we recognize what surplus means. Crop surpluses are inevitable in some line or another.

If ever a price gets good on any commodity, the farmers put all they can of their land into that commodity. They do not always follow intelligent instruction on production. They go after the high-price commodity, even though the price is now there and the crop may not come in for another year.

There is always bound to be surplus of some kind in some crops.

Grapes in California this year; corn generally; perhaps cotton; certainly certain types of tobacco.

Some of these crops are not actual surpluses but are simply carry-overs. Some of them are useless and must run to waste. Some surpluses are wholly imaginary.

We have been advised from Washington that our wheat supply this year is practically on a domestic basis, although in the fall when the farmers had the wheat they ignored the statements of governmental officials to that effect.

If there is a surplus, it may be exportable, and it may be non-exportable.

If it is wheat, it is likely to be exportable. If it is prunes, it is likely to be nonexportable.

It may be perishable, as the overproduction of tomatoes in Delaware and New Jersey in recent years; or it may be nonperishable, as the overproduction of cotton in the South this year.

We can not establish one rule of help for the growers of wheat and not establish the same rule of help for the growers of tomatoes or cotton.

If it is right to have the Government stand under the one, it is only right to have the Government stand under the other.

Who shall say where the Government shall stand?

And who shall say that the Government should stand at all under any crop, where the growers of that crop have not yet exhausted full

opportunities to handle their own business in their own way through their own wisdom?

The problem of surplus is a huge problem. Much has been said on it; much has been written on it. Men are following like sheep where a few bold voices are heard. They are listening to the "easy way out." They have forgotten that the only permanent relief is the system which comes from men themselves, is upheld by the constant activity of men themselves, and is maintained by the responsibility of the growers themselves.

If there needs to be a Federal method for handling the surplus, I shall favor it, just as I know the President and the Secretary of Agriculture would openly favor anything that they believed is absolutely needed for America.

Does all this mean that I ignore the problem of surpluses? No; I recognize the problem, but I am trying to find its solution in an intelligent, permanent way.

I refuse to believe that it is the surplus which causes all the trouble in American agriculture. I refuse to believe that it is the exportable surplus which breaks the wheat farmer, when I see that the same type of problem prevails with the crops that have only a domestic surplus and frequently with crops that have no surplus at all.

All I ask is a fair chance for the farmers' own initiative to be exhausted before we ask the Government to carry our burden

Even in the bill that the Secretary of Agriculture recommended to Congress, providing for the creation of a bureau of cooperative marketing, there is ample provision to enable him to call in from time to time men interested in a specific problem to help find the right way out of difficulties.

If that were enacted into law, the Secretary of Agriculture could call in all the men interested in the marketing of wheat or other crops and he could have them work out from time to time plans to solve any temporary or permanent difficulty in marketing, finance, or otherwise.

But he could thus enable them to do this as commodity commissions or commodity boards without the elements of price fixing by the Federal Government and without the elements of governmental control or Government operation of any major commercial activity in agriculture.

I am not able to see the need of a Federal method for handling the surplus as long as cooperative marketing has not been given its full fair chance.

If the growers of this land will try cooperative marketing on great national crops—try it with a full heart—try it with loyalty and with perseverance; and if the real farm leaders of the country will give more than lip support to cooperative marketing and will really advise their followers to direct their way behind the movement; and if the Government, under our President and Secretary of Agriculture, will continue to give administrative support, then I know that cooperative marketing will solve the problems of the farmers; will enable him to handle both his domestic sales and his foreign sales; and will enable him to adjust supply to demand without flying in the face of economic truths; will enable him to build up his own prosperity on his own efforts on a lasting and solid foundation.

I am confident this will be the result; but if I am proved wrong by the facts; if the actual results of such efforts do not meet my prophecy, then I shall be ready to go to the White House and say, "We have tried our own way; we have tried to work out our problems with the strength of our own arms, but we are weak and we are powerless, and we have failed. Come to our help! Take our business problems from us; give us returns; give us prices; give us money to buy our living and we no longer care for our spirit since our need for bread is so great."

I will go with such a message when cooperative marketing has been proven a failure, but not before.

Let us stand absolutely behind the President. He has trusted us. He has adopted our program. Our faith and honor are irrevocably committed to the program he adopted at our urgent suggestion.

Commodity cooperative marketing has proved that it will solve agricultural problems and difficulties, including surplus, so called, when operated intelligently and on a sufficiently large percentage of any given crop. The opportunity to adopt this method is within the reach of every farmer in this country.

His legal problems have been solved, his credit problems have been solved, his organizations have been justly and properly excepted from the inhibitions of the antitrust law, successful and unsuccessful experiences have developed to guide him, the bankers, the business men, the newspapers, the full support of the President and the Government of the United States are aiding him. Moreover, the wisest and most patriotic leaders of this country, through the institute of cooperation, with its admirable educational program, are giving him information and guidance. This council itself, through its system of schools, is giving him encouragement and enlightenment. The textbook committee, which includes in its membership some of the ablest and best informed of our countrymen, is preparing a textbook on marketing which will inform every child in the country upon this question, so vital to the stability of our institution and the prosperity of our country.

What more can be done, except to lend every effort to encourage the farmer to take advantage of his opportunity and help himself? There is nothing seductive or alluring about this program. It is far easier to tell, in honeyed tones, of some mysterious formula by which the Government will take over all the farmers' burdens, by which a Government bureau or commission will overcome drought and flood, hail and heat, laziness and ineptitude, and provide a profit for everything grown in this country, regardless of all other things and all other people. But the whole course of human history, the whole body of philosophy, establishes that there is no governmental substitute for knowledge, judgment, initiative, energy, persistence, patience.

I have gone into the struggle to better conditions under which the farmers must work and produce, because I believe the future of my country depends in a large degree upon the welfare of the American farmer. There is nothing but night and death before us if he, upon whom this hope is based, is not sound, intelligent, energetic, independent. I believe he is. I pin my faith to the American farmer. I believe he does not need and does not wish anything but a fair chance. That, I believe, he now has for the first time. When the ancient mariners strove against the perils of the sea, there were sirens who sang sweet songs of peace and ease to them, alluring and enchanting songs, and those who listened hearkened to the song of death.

Those who stopped their ears to the sirens' song and bent to their oars won through to safety. The farmer has been the backbone of America because he has been independent, because he has relied on himself. He has suffered but he has endured.

I would say to him now, keep that independence, rely on that judgment and initiative, take advantage of the finer opportunity which is now his; and thus, without risking the loss of spiritual values immeasurably precious, he will ultimately solve his own problems for himself.

TAX REDUCTION

Mr. SMOOT. I ask that the revenue bill, in accordance with the unanimous-consent agreement, be laid before the Senate, and that the amendment in Title III, relating to the estate tax, be considered.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee to "Title III—Estate tax," which has been read.

Mr. FLETCHER. Mr. President, the Senate now has under consideration the amendment appearing on page 170, in Title III, relating to the estate tax, to strike out all of the provisions of the bill as it came to the Senate down to line 2, page 208, and to insert, on page 208, line 3, down to and including line 3, on page 212.

The principal proposition is to strike out the provisions with reference to an estate tax, and to repeal the present estate tax law; so that if this amendment is agreed to, so far as the Federal Government is concerned, we will eliminate this entire field of estate taxes or death taxes.

Mr. SIMMONS. After January 1 of this year?

Mr. FLETCHER. Yes; after January of this year. Early in the session I proposed an amendment to this bill to that effect, and on January 5 I had occasion to discuss it at some length. I will not take up the time to-day reviewing all the points which might be made in support of this amendment, but I desire to call attention especially to just a few of the important reasons why this amendment ought to be agreed to in the Senate.

I am not combating the wisdom or the advisability of imposing death taxes. There are different views on that subject. Some arguments can be offered in favor of death taxes, and strong arguments can be offered in opposition to them.

I am not going into that discussion at all so far as the merits of imposing inheritance taxes are concerned. I am simply contending that it is a field of taxation which ought to be left entirely to the States and that the Federal Government ought not to attempt to impose death taxes of any kind, except in great emergency, like war, especially in the form of estate taxes. The act of 1924 and the provisions of this bill as it came to the Senate can not be defended or justified. I am contending that such a course, to wit, resorting to this source of revenue only in emergency and repealing such laws when the emergency is over, has been in accordance with the precedents of our Government and is consistent with the views which the Government has entertained for all the years. The fact remains that the Federal Government never has attempted to impose estate taxes except in cases of war or great emergency.

Mr. BORAH. Mr. President, may I ask the Senator a question?

Mr. FLETCHER. I yield.

Mr. BORAH. I understand the Senator is opposed to estate taxes, either State or national.

Mr. FLETCHER. I have just stated that I was not arguing the question or taking a position against estate taxes so far as the States are concerned. I am contending that it is a field that ought to be left to the States and that the Federal Government never has attempted to occupy that field except in case of war or approach of war.

Mr. BORAH. I read the Senator's argument the other day and heard part of it. As I understood his argument, he was opposed to the inheritance tax in principle, whether in the State or the National Government.

Mr. FLETCHER. I have not so stated. I am simply confining my discussion to the matter before us, which is a proposition for the Federal Government to levy an estate tax or, rather, to continue the estate tax.

Mr. NORRIS. Mr. President, may I interrupt the Senator?

Mr. FLETCHER. I yield.

Mr. NORRIS. I think it would be illuminating to know, at least I know I should like to know, what the Senator's position is on the question of the States levying such a tax. I would like to know, if the Senator will tell us, whether he is opposed to the States levying an estate or death tax.

Mr. FLETCHER. I am perfectly willing to state my position in that regard.

Mr. NORRIS. I would be glad if the Senator would do so.

Mr. FLETCHER. I am very glad to do it. My contention is that it is a question of fact whether the State needs the revenue from that source or not. It depends upon the conditions in each State, the needs of each State. For instance, why insist that a State that has seven or eight millions of dollars in its treasury, with no bonded indebtedness whatever, impose an inheritance tax as a source of revenue? But a State where there is need of money for governmental purposes, which must be raised by taxation, where they must resort to all sorts of resources for collecting money, is justified in imposing an inheritance tax. I believe when it is found necessary to impose death taxes by the State the succession tax is the better form, rather than the estate tax, as we have it here.

Mr. NORRIS. I think I get the Senator's point, but if I do not I hope the Senator will correct me. The Senator is opposed to having the State levy that kind of tax unless it is a matter of emergency and they have to have the money?

Mr. FLETCHER. I do not say it must be a matter of emergency. I say if the conditions in the State justify taxing the people of the State in order to raise money for governmental purposes, this is a very good field for the State to occupy. I would be in favor of it under those circumstances. But then it should take the form of a succession tax rather than an estate tax.

Mr. CARAWAY. Mr. President, may I ask the Senator a question?

Mr. FLETCHER. I yield to the Senator from Arkansas

Mr. CARAWAY. That is a question for the State itself, though, is it not?

Mr. FLETCHER. Yes.

Mr. CARAWAY. What has the Congress to do with it whether the States shall levy an estate tax or not?

Mr. FLETCHER. It has nothing to do with it, and it has not any authority to dictate to the States in that regard.

Mr. CARAWAY. If we apply such a coercive measure in that way, why not make California abandon her land laws that offend the Japanese by saying that California shall have no participation in Federal revenue unless they do abandon that law?

Mr. FLETCHER. I propose to come to that later.

Mr. KING. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Utah?

Mr. FLETCHER. I yield.

Mr. KING. Of course, the Senator does not mean by that that the Federal Government has no power to tax estates within the State, and particularly now in view of the fact that so many estates consist of intangibles which may find existence in loci, if they can be located anywhere in the various States.

Mr. FLETCHER. The Supreme Court of the United States has declared that this is an excise tax and that it is within the authority and power of Congress to levy. I accept that as the legal situation, that the Congress has the right to impose estate taxes and they are classed as excise taxes.

Mr. KING. Does the Senator mean to say that it would be improper for a State to prefer a tax upon the real estate of the farmers, imposing a rather heavy burden upon them for State purposes, instead of receiving some contribution from the estates of rich persons?

Mr. FLETCHER. That is entirely for the State to settle for itself. The Federal Government has nothing to do with it, and no other State has anything to do with what any particular State may see fit to do in the circumstances.

Mr. KING. I agree with the Senator in that statement.

Mr. FLETCHER. While I say that the estate tax is authorized, as the Supreme Court has held, as an excise tax, being a tax on the transmission of property, which depends altogether on the laws of the State, the Supreme Court never has approved provisions, such as are set forth in the pending bill, that the Federal Government may impose a tax and then allow a deduction to the taxpayer in the States for 80 per cent of the amount of the Federal taxes where the States imposes an inheritance tax. They never have sustained that law, and I propose to show, if I am allowed to proceed, that that provision makes the pending bill absolutely unconstitutional, and in my judgment the act of 1924 is unconstitutional for the same reason. I believe if the question is ever brought into the courts they would so hold.

Mr. KING. I should be glad if the Senator would show in principle the distinction between the Federal Government collecting taxes, a portion of which come from the estates of decedents, and paying to the States a portion of that tax collected, and on the other hand the collection of taxes and the return to the State of very large portions of the sum for purposes which some call within the general welfare, for altruistic purposes, for philanthropic purposes, for various other purposes that are not clearly within the scope of the Federal Government.

Mr. FLETCHER. Of course, each instance of that kind must depend upon the facts and circumstances surrounding it. That does not answer the problem here, where we are to consider that the Government undertakes to impose a tax not for revenue at all. The proper disposition of the money after it is collected is an entirely different matter. It has no authority to impose taxation to promote uniformity of legislation in the various States or for some other purpose. It has authority only to impose taxes for revenue purposes and for the uses of the Government. The very fact that they propose to levy this tax and then reduce it by 80 per cent shows that they are not after revenue. The purpose is to exercise the taxing power to accomplish an object other than the raising of revenue. Under the guise of taxation the aim is to dictate legislative action by the States respecting their tax laws.

Mr. CARAWAY. Mr. President, may I ask the Senator a question?

Mr. FLETCHER. Certainly.

Mr. CARAWAY. If they could remit 80 per cent, they could remit 100 per cent?

Mr. FLETCHER. Certainly.

Mr. CARAWAY. And there is no relation between the question suggested by the Senator from Utah, that of the levying of a tax and remitting it to the States as a tax, and making appropriations for public highways, for instance. Those questions are not related at all.

Mr. FLETCHER. Not at all.

Mr. CARAWAY. They do not rest upon the same authority.

Mr. FLETCHER. What the Senator had in mind would depend altogether upon the facts and circumstances surrounding each particular instance. The fact is, getting back to the question suggested by the Senator from Nebraska and the Senator from Idaho, that in some States nearly 30 per cent of the revenue is produced from this source—death taxes. In some States not over 5 per cent of the revenue is produced in that way. In a few States, Florida and Alabama, for instance, none, of course, is produced in that way because they have no inheritance or income tax. In Nevada, after July next, they will have no inheritance or estate tax. So there will be three States where no revenue is derived from this source at all, and the other States derive revenue from it varying all the way from 5 per cent to 30 per cent of their total revenue. Within the last five years 27 States have changed their laws with reference to inheritance taxes, and in every instance the rates have been increased except in one. California changed her law, but did not raise the rate.

In 1910 the total amount of revenue received in the country from inheritance taxes was only about $10,000,000. In 1922 the total amount of revenue derived from death taxes, including the Federal estate tax, amount to some $220,000,000. Anyone who expects or apprehends that an effort will be made to induce the States to recede from inheritance taxes is mistaken, will find there is no foundation for that idea, because the tendency is all the other way. The tendency is for the States to reach out after this source of revenue, to increase their rates to get more revenue from it, increasing their yield of revenue from this source.

Mr. NORRIS. May I ask the Senator another question right at that point, if he will permit me to interrupt him?

Mr. FLETCHER. I yield.

Mr. NORRIS. I think it is true, just as the Senator has said, that the tendency has been that the States have increased the rates and some have enacted laws that had none on the subject before. Does not the Senator think that that very fact is going to drive some of the other States to do what Florida and Alabama have done and what California is now trying to do, and that therefore the tendency is going to be, at least with a large portion of the States, to decrease and to repeal entirely the estate taxes, so as to invite men to come within their borders and escape that kind of tax, whereas as to the Federal tax that could not happen?

It seems to me it is perfectly plain that a contest is going on which will eventually mean that the estate taxes as administered by the States will pass out of existence entirely and that the only power on earth that can make it uniform is the Federal Government.

Mr. FLETCHER. Not at all, Mr. President.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. FLETCHER. Let me answer the Senator from Nebraska first, please, and then I will yield to the Senator from Missouri.

The Senator referred to Florida as having recently taken the step of eliminating inheritance and income taxes. Florida never has had an inheritance tax law. Florida has never imposed any income tax.

Mr. NORRIS. When did Florida adopt the constitutional amendment?

Mr. FLETCHER. Two years ago; but that was simply making permanent a policy which has existed ever since Florida became a State.

Mr. NORRIS. What was the occasion for adopting the amendment unless they wanted to let the whole country know that they had to put it in their fundamental law, so they could not enact a statute to the contrary, and thus invite wealthy men to locate there?

Mr. FLETCHER. It was an effort to make permanent a policy that has existed in the State, in pursuance of views and practice that existed in the State continuously and always heretofore. If people are induced to go to Florida because we had no inheritance or income tax, they have had the same motive and the same opportunity since 1845.

Mr. NORRIS. Yes; but they did not have the assurance that the next legislature would not enact that kind of a law.

Mr. FLETCHER. That is quite true.

Mr. NORRIS. They have that assurance now.

Mr. FLETCHER. The fact that it never has enacted such a law, the fact that there was never any demand for such a law, the fact that they did not need such a law, the fact that they did not require these taxes at all for State purposes, were all outstanding and perfectly well-known facts before. They did adopt a constitutional amendment prohibiting the legislature from imposing these taxes in the future. Of course, that amendment itself might be changed in the course of time, but it was an effort to make permanent a policy which has existed there for all these years.

I now yield to the Senator from Missouri.

Mr. WILLIAMS. Will the Senator from Florida inform us whether it is not true that within the last two years there has been a constitutional amendment adopted in the State of Florida which provides that there shall be no inheritance tax imposed within that State?

Mr. FLETCHER. Yes; I have just stated that fact; but I say there never has been any inheritance tax law or income tax law in Florida.

Mr. WILLIAMS. I quite understand that. Now, suppose we take the converse of that situation; suppose instead of adopting a constitutional provision like that the State of Florida had adopted a constitutional provision or had passed a mere act of the legislature under which it was provided that in the State of Florida there should be no more inheritance as such; that the right of inheritance should be abolished in the State of Florida; suppose the converse of that situation were before us, then the Government could not collect an inheritance tax in Florida?

Mr. FLETCHER. I presume that is correct.

Mr. WILLIAMS. If that is true, then would the Senator not be opposed to an inheritance tax because it derived its whole origin from the State? In other words, the subject of the tax itself is created by the State.

Mr. FLETCHER. Descent and distribution depend on State laws, not Federal statutes at all. The Federal Government has nothing to do with them. Laws of inheritance are State laws, just as the Senator suggests. His position is correct, and I am glad he mentioned it.

Mr. SIMMONS rose.

Mr. FLETCHER. Let me answer the Senator from Nebraska [Mr. NORRIS] briefly on another point, and then I shall yield to the Senator from North Carolina.

The Senator from Nebraska suggests the idea of uniform State laws throughout the country as being desirable, and the effort being in that direction. I very much doubt, to be perfectly frank, if we ever can have uniform legislation in that regard.

Mr. NORRIS. I agree with the Senator from Florida absolutely in that statement.

Mr. FLETCHER. And I doubt very much if it is desirable that we should have such uniformity, because, as I have just stated, the needs of one State are different from the needs of another State. No State ought to impose taxes on its people merely for the purpose of taxing them; no State ought to levy more taxes than it needs for governmental purposes; and the needs of one State are altogether different from the needs of another State. Consequently, I do not see how it would ever be possible to have uniform legislation throughout the country; and that is the purpose of the legislation pending here, as has been brought out in the discussion in another body, in the press, and elsewhere. The whole purpose is not to raise revenue but to promote uniformity of legislation among the States on the subject of inheritances.

Mr. NORRIS. Will not the Senator from Florida admit now, since he has admitted that we can not get State uniformity, that the only possible way of having uniform legislation on this subject is by Federal legislation?

Mr. FLETCHER. That does not bring any uniformity at all; that violates all the principles of uniformity, as I shall show in a minute.

Mr. CARAWAY. Mr. President, may I ask the Senator from Florida a question?

Mr. FLETCHER. I ought first to yield to the Senator from North Carolina.

Mr. CARAWAY. Very well.

Mr. SIMMONS. Mr. President, I wanted to say to the Senator from Florida that it seemed to me that the objection raised was that the enactment of such legislation as has been embodied in the constitution of Florida has given to that State a great advantage over other States, and it is feared that if the levying of an inheritance tax is left to the States, without any interference on the part of the Federal Government, similar advantage will be sought by other States. I wish to ask the Senator from Florida, in connection with that situation and that contention, does he attribute the very remarkable movement which has taken place in Florida in the last year or so to the action of his State in providing in its constitution that there shall be neither inheritance nor income taxes imposed in that jurisdiction?

Mr. FLETCHER. Frankly, I do not. Anyone who is acquainted with the history of events and the processes of development that have been going on will know that the movement in Florida has been proceeding, while not with such rapidity as within the last 12 or more months, for at least 10 or 20 years back. During all of that period there has been this movement more or less pronounced into Florida. It has been growing and increasing as people have become acquainted with the opportunities and the advantages offered by that State. In my judgment, one of the main factors which has brought a wider acquaintance with these conditions and induced the development in Florida and brought people into the State has been the improvement of the public roads, opening up and improvement of the highways and the greater use of automobiles. Last year, for instance, 500,000 people went into the State of Florida in automobiles. They could not have done that five years ago. People move from every State in the Union, and from Canada, in automobiles to Florida; and they are able to see for themselves what the State offers. Increased transportation facilities generally by the highways, the railroads and waterways, in my judgment, have contributed more to promote the development of Florida than has anything else. These things and the dissemination of knowledge about the resources, the climate, and other conditions in the State have prompted the unprecedented migration to Florida.

Mr. SIMMONS. Mr. President, confirming the statement of the Senator from Florida, I wish to ask him if he does not know that in the western part of North Carolina, in the mountainous parts of the State, in the section which is known as the Hendersonville section of North Carolina, during the past year there has started a movement almost as large, although not covering so great a territory, in its effect upon real estate and values as has taken place in Florida?

Mr. FLETCHER. I think that is quite true; and again, I think that is largely due to the development of highways.

Mr. SIMMONS. I agree with the Senator. The development of highways in the State of North Carolina has contributed very largely to the immense movement that is going on in western North Carolina to-day, almost eclipsing the movement in Florida.

North Carolina, however, Mr. President—and that is the point I want to make—imposes a very considerable income tax and a very considerable inheritance tax. In fact, the State of North Carolina does not impose for State purposes any tax upon property at all, but it raises all the revenue which is necessary for the support of the State government by inheritance, income, and license taxes; and yet in the western part of my State there is going on to-day a movement within a limited territory, probably within a radius of 50 or 75 miles, which is as great as is going on in the State of Florida.

Mr. FLETCHER. I think the Senator is quite correct about that. My contention is that is a matter for North Carolina to determine for herself—how she shall raise her revenue and what she will do with her money—and that there is no power in Congress to dictate to North Carolina what her taxation laws shall be. If we once concede that there is any such authority in Congress there is no limit to which that power may go, so that, under the guise of taxation, the Federal Government may undertake to prescribe what the States shall enact in the way of tax laws.

Mr. BORAH. Mr. President——

Mr. FLETCHER. I yield to the Senator from Idaho.

Mr. BORAH. I quite agree with the contention that the Congress has no power—or, if it has, it is of such doubtful character that it ought not to be used—to force upon the States any system of taxation. I do not believe, either, that it is any part of the duty of Congress to collect taxes and turn them over to the States; but the question which I want to present to the Senator is this: Does he see anything unsound in the contention that great estates, whether a large amount of taxes is needed or a small amount is needed in a State, should bear their proportion of the taxes of the State or of the National Government?

Mr. FLETCHER. I do not, generally speaking. I have stated that already; but I submit that it is a matter for the State to determine whether or not they ought to impose or believe in imposing any inheriance tax or income tax upon their people, and not for the Congress. I believe the revenue for the National Government should be raised by other means.

Mr. BORAH. I should like to ask the Senator another question. I think the Senator was overmodest in stating that the great development in his State was due largely to the automobile, because the good roads leading out of Florida are just the same as the good roads going into the State of Florida.

Mr. FLETCHER. I think I said that that was one of the chief factors. I might mention transportation facilities generally, the increase in railroad facilities, and the development of waterways. All of those facilities have brought Florida close to the main markets of the country and made it accessible to the 60,000,000 or 70,000,000 people who before had difficulty in getting in and out of the State.

Mr. BORAH. Really, the key to the development of Florida is what Divine Providence left down there, is it not?

Mr. FLETCHER. I think undoubtedly the climate is the chief thing, and is eternal and everlasting and can not be taken away from us by Congress or by anybody else. It is because, in the last analysis, Florida has what the people of this country want and what they can find nowhere else—and the good Lord is not making any new territory—hence Florida is coming into her own and making such rapid progress and enjoying such splendid development.

Mr. SIMMONS. People are going to Florida, if the Senator will permit me, because of Florida's winter climate, and they are coming to the mountains of western North Carolina because of our summer climate. [Laughter.]

Mr. CARAWAY. Mr. President, may I ask the Senator from Florida a question?

Mr. FLETCHER. I yield to the Senator from Arkansas.

Mr. CARAWAY. I do not want the two Senators to imagine that the Lord has done something for Florida and North Carolina and done nothing for any other State. I am unwilling that the two Senators should be so modest as to admit that the people living in those States have nothing to do with it. I think there are good citizens in Florida and good citizens in North Carolina to whose efforts much may be attributed. However, passing that by, what I wanted to call the Senator's attention to was the remark of the Senator from Nebraska that there was no other way to force uniformity of taxation upon the States. That is the vital question, I think, in the provision of the House bill which has been stricken out. It was an attempt to force uniformity.

If the Federal Government can force uniformity with reference to taxation, it can do so with reference to marriage and with reference to divorce. It could abolish the separate school system in my State and compel all our children, however repugnant it might be, to attend the same school; and, with all due respect to the late Senator from Massachusetts, he would not have needed his force bill at all if this scheme had been called upon, because the Federal Government could say that, unless supervision of elections were permitted by Federal supervisors, the States should not participate in a certain tax. So there would be no end to the coercion that could be brought to bear upon a State if this unthinkable provision should be adopted by the Senate.

Mr. FLETCHER. I think the Senator is correct about that.

Mr. LENROOT. Mr. President, will the Senator from Florida yield to me?

Mr. FLETCHER. I yield to the Senator from Wisconsin.

Mr. LENROOT. Would the Senator say that when the constitutional amendment was adopted in Florida one of the reasons for it was—and was not that reason stated—to attract wealthy people to Florida?

Mr. FLETCHER. I never gave any such reason. I do not know what reasons the real-estate agents may have given.

Mr. LENROOT. I know the Senator did not give any such reason, but is it not a fact that since then it has been advertised all over the United States that the laws of Florida with reference to the absence of income and inheritance taxes constitute one reason why Florida should be attractive to people of great wealth?

Mr. FLETCHER. Very likely; and Florida is, indeed, proud that she does not have to lay income and inheritance taxes upon her people. And she invites good people from everywhere and for all the reasons that may appeal to and satisfy them.

Mr. LENROOT. I should like to ask the Senator one other question. The Senator said, in response to the Senator from Idaho, that he thought it entirely just that inheritance taxes should be levied. If the State of Florida does not need them, why should they not pay them to the Federal Government?

Mr. TRAMMELL. Mr. President, will my colleague allow me to ask the Senator from Wisconsin a question?

Mr. FLETCHER. Yes.

Mr. TRAMMELL. Do not other States and other cities advertise any advantages which they may possess in regard to taxation? Sometimes they say that the mileage is low and sometimes they say that real estate is not assessed for taxation but that the taxes are raised from other sources. They advertise what they consider the advantages of their taxing system. Has not Florida the same privilege?

Mr. LENROOT. Absolutely.

Mr. TRAMMELL. There is nothing wrong about it.

Mr. LENROOT. And I think it is a very great privilege; but the senior Senator from Florida undertook to say that the taxing system did not have any effect upon the growth of Florida, and that is the point I was making.

Mr. FLETCHER. I have not said that it did not have any effect. I said that I did not advertise it as an inducement for people to come to the State. Others no doubt did, and very properly. What I mean is that has not been stressed by me as the important or main reason why people should go to Florida. I presume likely it has had the effect of attracting people to the State. But with reference to the Senator's suggestion that Florida ought to pay her part of the revenue required by the Government, let me say that Florida does pay her part and she is willing to pay her part. This is not a revenue-raising provision. It is practically conceded by the Treasury Department that it will cost somewhere near 20 per cent of the entire revenue derived from this estate tax to collect it. Consequently the Government will get practically nothing out of it if the bill is passed as it is. It will be necessary to keep up the bureau, the division, the field force, the records, and so forth, and impose this tax. All of those things are paid for by the Government to collect the tax and deduct 80 per cent for the States, and out of that 20 per cent it will not be possible to pay the expenses of collection.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield for a question?

Mr. FLETCHER. I yield.

Mr. REED of Pennsylvania. How does Florida raise the expenses of the State government? Is it by a tax on personal property or real property?

Mr. FLETCHER. Real property and personal property and licenses, and we have a gasoline tax.

Mr. WATSON. Mr. President, does Florida tax bank accounts?

Mr. FLETCHER. No; not as such.

Mr. REED of Pennsylvania. It is perfectly evident to me that the State of Florida must collect from its citizens enough to run its State government. If it does that, and if the citizens of Florida have to pay five times as much inheritance tax as the citizens of some other State, is it not obvious that the citizens of Florida are going to pay a double tax?

Mr. FLETCHER. Precisely; that will follow.

Mr. NORRIS. That would be too bad.

Mr. FLETCHER. I think it would be unfair anyhow. Florida is willing to bear her proportion of the burdens of Government, and she is doing it; but now let us come back to this proposition——

Mr. NORRIS. Mr. President, before the Senator leaves that point, let me ask him whether the same argument applies to the income tax? Because Florida does not levy an inheritance tax the Senator thinks it follows that we ought not to levy a Federal inheritance tax. Then, if Florida does not levy an income tax, ought not we to repeal our Federal income tax?

Mr. FLETCHER. Would the Senator propose to levy an income tax and deduct from it all the income taxes paid to the States? Would that be a sound proposition, or to deduct 80 per cent of them?

Mr. COUZENS. Mr. President——

Mr. NORRIS. No; but if we should levy a Federal inheritance tax and say nothing about giving the States anything, then I suppose the Senator would favor it. If he would, then I should be glad to amend it in that way.

Mr. FLETCHER. That is not this bill.

Mr. NORRIS. Then let us change it. If the Senator and those who are opposing it on his ground will support it if that change is made, I should be glad to go with them. I should be glad to levy a Federal tax and say nothing about giving any of it to the States.

Mr. FLETCHER. Of course that would very greatly improve the bill. There is no question about that.

Mr. SIMMONS. Mr. President, in agreeing to the House bill, as I understand the administration and the Treasury Department do agree to that bill, with this provision giving the States 80 per cent of the inheritance tax and retaining just about enough to pay the expenses of collecting that tax, is it not admitted that this levy is not needed for the purpose of obtaining revenue to run the Federal Government?

Mr. FLETCHER. Of course.

Mr. SIMMONS. With reference to the income tax, if the Senator from Florida will permit me, is it not recognized that the Government gets the larger part of its taxes for the support of the Government from income taxation?

Mr. FLETCHER. Yes.

Mr. SIMMONS. And there is no proposition anywhere on the part of the Government to surrender any part of that income tax?

Mr. FLETCHER. Precisely.

Mr. LENROOT. Mr. President, will the Senator yield once more? The Senator is aware that under the Federal income tax law income taxes paid in a State are deductible from the gross income. In Florida, there being no State income tax, there is no such deduction. Does the Senator complain of that?

Mr. FLETCHER. We make no complaint of that. It is a different matter. The deduction in case of income taxes is from the gross income, not from the tax itself. The deduction under paragraph (b) is from the Federal tax itself.

Mr. LENROOT. And yet there is the same nature of discrimination, except as to degree, is there not?

Mr. FLETCHER. I do not think the same principle applies. Let me deal with that for a moment.

This provision of this bill, in my judgment, is unconstitutional; and I refer Senators to section 8 of Article I of the Constitution of the United States, which provides:

> The Congress shall have power to lay and collect taxes, duties, imposts, and excises to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States.

The uniformity required has been adjudged to be a territorial uniformity or a geographical uniformity, and not an intrinsic uniformity. (LaBelle Iron Works *v.* United States, 256 U. S. 392; Billings *v.* United States, 232 U. S. 282.)

As a result of this interpretation, taxation has been upheld although it operates unequally, provided there was found to exist a reasonable basis for the distinction in respect to the persons or the things upon which the law operated; but the line of cleavage must not be geographical, and the basis of classification or distinction must never be territorial.

The uniformity clause was intended to prevent sectionalism in the exercise of the taxing power.

Here we have the very worst type of sectionalism—a sectionalism aimed at a sovereign State and a tax law designedly framed to operate differently within the bounds of three States of the Union from the way in which it would operate in the other 45.

As the result of the provisions of paragraph (b), section 301 of the proposed revenue bill, as soon as the Commissioner of Revenue crosses the State line from Georgia into Florida he must collect an estate tax materially larger than the law permits him to collect in Georgia.

Is it not perfectly clear that the principle of uniformity is violated by these provisions when we think of an internal-revenue collector standing on the line between Georgia and Florida, for instance, and over in Florida collecting, we will say, $1,000 estate tax, and over in Georgia collecting $750? Just step across the line and you get this difference, or maybe more. The Georgia law now, I think, provides for this 25 per cent deduction as provided for in the act of 1924; and therefore the same collector steps over the line in Florida and collects $1,000, and over in Georgia he collects $750 in full settlement of the tax.

Mr. GEORGE. Mr. President——

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Georgia?

Mr. FLETCHER. I do.

Mr. GEORGE. It is not material to the Senator's argument, but I should like to say merely that the Georgia inheritance tax hinges on the Federal tax. It is provided by statute that it shall not be more than 25 per cent of the amount fixed in it.

Mr. FLETCHER. Precisely. It is based upon the act of 1924, I take it. In the territory belonging to Georgia an estate of $100,000 will pay a certain amount, and in the State of Florida, across the line, an estate of $100,000 will pay a materially larger tax. In the one territory the law will operate very differently from the way in which it will operate in the other territory.

The operation of the law in each State is made to depend upon the policy of that State's taxing laws. The policy of a State is coextensive with its territory, so in the last analysis the classification attempted by the pending measure is a territorial or geographical one.

The Congress should take notice of this lack of uniformity and avoid it. Congress should do what the courts will be compelled to do should the estate tax be enacted as now proposed.

The provisions of the revenue law are framed so as to produce a certain amount of revenue for the uses of the Government, and the invalidity of this section of the law would seriously affect the general scheme.

In speaking of the child labor act, Chief Justice Taft, at page 39 of Two hundred and fifty-ninth United States Reports, says:

> So here the so-called tax is a penalty to coerce people of a State to act as Congress wishes them to act in respect to a matter completely the business of the State government under the Federal Constitution.
>
> This case requires, as did the Dogenhart case, the application of the principle announced by Chief Justice Marshall in McCulloch *v.* Maryland (4 Wheaton 316, 333), in a much-quoted passage:
>
> "Should Congress in the execution of its powers adopt measures which are prohibited by the Constitution; or should Congress under the pretext of executing its powers pass laws for the accomplishment of objects not intrusted to the Government; it would become the painful duty of this tribunal, should a case requiring such decision come before it, to say that such act was not the law of the land."

In a very recent case, Hill *v.* Wallace, in Two hundred and fifty-ninth United States Reports, at page 44, the Supreme Court said—I read now from page 66:

> It is impossible to escape the conviction from a full reading of this law that it was enacted for the purpose of regulating the conduct of business of boards of trade through supervision of the Secretary of Agriculture and the use of an administrative tribunal consisting of that Secretary, the Secretary of Commerce, and the Attorney General. Indeed, the title of the act recites that one of its purposes is the regulation of boards of trade. As the bill shows, the imposition of 20 cents a bushel on the various grains affected by the tax is most burdensome. The tax upon contracts for sales for future delivery under the revenue act is only 2 cents upon $100 of value, whereas this tax varies according to the price and character of the grain from 15 per cent of its value to 50 per cent. The manifest purpose of the tax is to compel boards of trade to comply with regulations, many of which can have no relevancy to the collection of the tax at all.

And then, going on, the court quotes from the child-labor case:

Out of a proper respect for the acts of a coordinate branch of the Government this court has gone far to sustain taxing acts as such, even though there has been ground for suspecting from the weight of the tax it was intended to destroy its subject. But in the act before us the presumption of validity can not prevail, because the proof of the contrary is found on the very face of its provisions. Grant the validity of this law, and all that Congress would need to do hereafter in seeking to take over to its control any one of the great number of subjects of public interest, jurisdiction of which the States have never parted with, and which are reserved to them by the tenth amendment, would be to enact a detailed measure of complete regulation of the subject and enforce it by a so-called tax upon departures from it. To give such magic to the word "tax" would be to break down all constitutional limitation of the powers of Congress and completely wipe out the sovereignty of the States.

And then adds:

This has complete application to the act before us and requires us to hold that the provisions of the act we have been discussing can not be sustained as an exercise of the taxing power of Congress conferred by section 8, Article I.

That is directly in point with the matter here before us; and even in a later decision which Justice McReynolds handed down, the case of H. B. Trusler, plaintiff in error, against Noah Crooks et al., decided in the October term, 1925, Justice McReynolds, speaking for the court, said:

The stipulated facts reveal the cost, terms, and use of "indemnity" contracts, together with their relation to boards of trade, and indicate quite plainly that section 8 was not intended to produce revenue but to prohibit all such contracts as part of the prescribed regulatory plan. The major part of this plan was condemned in Hill *v.* Wallace, and section 3, being a mere feature without separate purpose, must share the invalidity of the whole. (Wolff Packing Co. *v.* Industrial Court, 267 U. S. 552, 569.)

The court said further:

This conclusion seems inevitable when consideration is given to the title of the act, the price usually paid for such options, the size of the prescribed tax (20 cents per bushel), the practical inhibition of all transactions within the terms of section 3, the consequent impossibility of raising any revenue thereby, and the intimate relation of that section to the unlawful scheme for regulation under guise of taxation. The imposition is a penalty and in no proper sense a tax. (Child Labor Tax case, 259 U. S. 20; Lipke *v.* Lederer, 259 U. S. 557, 561; Linder *v.* United States, 268 U. S. 5.)

So they declared the act invalid. Those principles apply directly to the situation here. Without taking any more time, and without going further into the details or citing authorities, I am absolutely confident that the estate-tax provision in the revenue bill of 1926, passed by the House of Representatives on December 18, 1925, and the estate-tax provision in the law now in force, the revenue act of 1924, are unconstitutional and void; that the tax imposed by title 3, estate tax, of this bill, upon the transfer of the net estate of every decedent dying after the enactment of the bill, is a duty or excise within the meaning of section 8 of Article I of the Constitution, and as such is subject to the rule of uniformity as prescribed by the first clause of that section.

Third. By reason of the inclusion in title 3 of the proposed act of the provision, section 301, paragraph (b), allowing a credit of 80 per cent for estate, inheritance, legacy, and succession taxes paid to any State or Territory or the District of Columbia, the whole title is rendered repugnant to the uniformity clause of section 8 of Article I of the Constitution and is void.

I need not refer further to this clause in the Constitution and to various cases, such, for instance, as Edye *v.* Robertson (112 U. S. 580) and Pollock *v.* Farmers' Loan & Trust Co. (157 U. S. 429).

Fourth. I say that title 3 is an invasion of the rights reserved to the States by Article X of the amendments to the Constitution, and for that reason also is unconstitutional and void. I think the case to which I referred—Bailey against Drexler Furniture Co., decided by Chief Justice Taft (259 U. S. 20, 36, 37, and 39)—fully sustains the position.

Mr. SIMMONS. Mr. President——

The PRESIDING OFFICER (Mr. OVERMAN in the chair). Does the Senator from Florida yield to the Senator from North Carolina?

Mr. FLETCHER. I yield.

Mr. SIMMONS. My attention was diverted at the time the Senator was reading that opinion. I am very much interested in it, and if it would not take much time I would be happy if the Senator would briefly state what it holds.

Mr. FLETCHER. The opinion in the case of Hill against Wallace held certain sections of the future trading act invalid. That was one opinion from which I read. The opinion was based on the ground that the act was an attempt to regulate, by means of a Federal tax, a business that was wholly intrastate. The case to which I last referred was the case of Trusler against Crooks, decided by Mr. Justice McReynolds. That related to a paragraph in the same act, and he held it unconstitutional. I will give the Senator a copy of that opinion.

I think these two paragraphs will be construed together, and that the rule that the whole title is void in its entirety applies, under the decision in Warren *v.* Charlestown (2 Gray 84).

The Supreme Court has said:

It is elemental that the same statute may be in part constitutional and in part unconstitutional.

There is a provision in this bill, as we usually have in all of our bills, that if one part of a statute is declared unconstitutional that does not necessarily make the whole bill unconstitutional. But that provision does not save this title at all.

Mr. GEORGE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Georgia?

Mr. FLETCHER. I yield.

Mr. GEORGE. I wish to ask the Senator if any of the cases to which he has referred have considered a provision analogous to this particular provision of the bill. The Senator will note that the tax levied is uniform, but that provision is made for credit against that tax—that is, credit for any amount paid by any taxpayer in any State on account of a similar tax. I would like to know, the Senator having gone into the legal phase of it, whether or not any of the cases deal with precisely that situation. In other words, it occurs to me that here is uniformity so far as the levy of the tax is concerned, but it is not uniform throughout all of the States that certain credits may be allowed. Those credits, of course, are not uniform, because every State does not have an inheritance tax. I wanted to know if, in the Senator's study of this question, he had thought of that particular phase.

Mr. FLETCHER. My position about that is that whereas the rates are uniform, as the Senator has in mind, there is a violation of the constitutional requirement of uniformity, which means territorial uniformity, and therefore this tax is not uniform as to all the States, because there are at least three States that have no inheritance tax at all under which any deductions can be made.

Mr. KING. Mr. President, will the Senator yield?

Mr. FLETCHER. I yield.

Mr. KING. In line with the suggestion made by the able Senator from Georgia, if I understood him, I call the attention of the Senator from Florida to the fact that we have enacted a number of measures which were discriminatory in their gifts or contributions to the States. For instance, we have passed acts by the terms of which if certain States erected agricultural colleges they should receive certain grants. Other legislation which comes to my mind now, which we enacted, provided that if certain States would establish in their universities provision for teaching hygiene and the facts as to infectious diseases—and that was particularly during the war—various contributions would be made through the Public Health Service to those States.

Some States got money for nothing; that is to say, they obtained contributions from the Public Treasury which were not obtained by other States, simply because the other States did not follow the same course which they pursued. It would seem to me, if I understand the Senator's argument, that his challenge to this legislation upon the ground that it fails to conform to the constitutional provisions as to uniformity goes a little further than mere territorial uniformity, and that the suggestion made by the Senator from Georgia and the illustrations which I have given would negative the contention of the Senator from Florida that it is unconstitutional upon the ground of lack of uniformity.

Mr. FLETCHER. I think the Senator has in mind our making appropriations conditioned on certain things, which does not seem to me to apply to this question at all. We must not get away from this position: The Supreme Court has sustained this kind of a tax on the ground that it is an excise tax, a tax imposed upon the transmission of property, and, of course, when we reach that point we must recognize that the constitutional provision with reference to excise taxes must apply. In what sort of a position would we be if New York could impose certain customs duties upon imports and Florida certain other customs duties upon imports? We could not stand for that a moment. That is an excise tax. So is this an excise

tax. We must hold ourselves to that legal situation and then apply the constitutional provision, which the Supreme Court has said means territorial uniformity when it uses the word "uniform."

Mr. GEORGE. Mr. President, I was not seeking to enter into a controversy with the Senator, but I was making the inquiry for the purpose of obtaining information. It occurred to me, just from hearing the Senator's argument, that when the tax bill fixes, for instance, a certain tax upon estates of $6,000,000 or more, then there is a uniform levy of tax, and that that uniformity is not destroyed or affected by the fact that a citizen in one State may have a greater credit or a lesser credit to be taken from the total of the tax.

I asked the question in the utmost good faith, because of this further fact: Of course, the Congress of the United States must have notice of any constitutional limitation imposed upon any State. In other words, the Congress of the United States, at the time it passes this bill, if it does pass it as it came over from the House, has knowledge of the provision of the constitution of the State of Florida—that is to say, that no estate or succession tax can be imposed in Florida. Therefore, if the Congress should pass this bill, with the knowledge that the Florida citizen could not have a deduction on account of any payments made by him to the State, for the reason that his State was forbidden to impose an estate or succession tax, quite an interesting question would be raised, and I wondered if the Senator had thought of that particular phase of this question.

Mr. FLETCHER. I do not know that I quite get what is in the Senator's mind with reference to that. My impression now would be, from the statement the Senator has made—and I am glad he brought out that point—that it would simply be in defiance of the constitutional provision to attempt to pass legislation of this kind, knowing the conditions, as Congress must know them, as the Senator has said, with reference to certain States. Congress knows that citizens of Florida can not enjoy any deduction from this tax, absolutely. Congress knows that citizens of Alabama can not. But Congress says, "You have to do it or you will suffer; you will be penalized." I do not think Congress ought to attempt to do that sort of thing at all, and I do not think they have any power to do it, when it comes to the test of applying the Constitution to the question.

If paragraph (b) should be stricken out, the situation would be greatly improved, I admit, and there might be some sort of argument for the Federal Government simply holding a field of taxation, which it occupies, and does not want to give up merely for the purpose of holding it and enjoying whatever power may come from it. But, if you enact the two together, even though the court should hold that paragraph (b) ought to fall, it would involve the whole provision, in my judgment, and the whole title would go with that declaration of unconstitutionality.

Mr. LENROOT. Mr. President, will the Senator yield at that point?

Mr. FLETCHER. Let me just refer, as I intended to do sometime ago, to this record with reference to the imposition of this estate tax by the Federal Government. I refer to the report of the national committee on inheritance taxation at page 22:

> Although a Federal inheritance tax law was passed as early as 1797, the Federal Government has resorted to this method of raising revenue only under pressure of emergency caused by war, and heretofore the taxes have been repealed as soon as the pressure was removed. The statute of 1797 was repealed in 1802.
>
> Five years.
>
> A second statute was in force from 1862 to 1870.

That was eight years, and that was occasioned by the War between the States.

> A third from 1898 to 1902.

That was four years, and that was induced by the Spanish-American War. In all these instances where the Government has undertaken to impose an estate tax it has been in the presence of war, and as soon as that emergency was over the laws have been repealed. The present statute was enacted September 8, 1916, and after several amendments still remains in force.

> This field, therefore, in the past, has been left, except in war emergencies, entirely to the States, and the present encroachment by the Federal Government seriously affects the State revenues. The Federal Government is better able to give up this object of taxes than are the States.

That is the story. That is the history. Those are the precedents. Why insist now, 10 years after we began the taxation and over 7 years after the war was ended, upon continuing the legislation upon our statute books? We never have done it in all our history before.

Mr. LENROOT. Mr. President——

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Wisconsin?

Mr. FLETCHER. I yield.

Mr. LENROOT. The Senator, of course, agrees that the inheritance tax was levied in 1916, a year before the war began, does he not?

Mr. FLETCHER. The war began in 1914.

Mr. LENROOT. Not our war. We were not in the war then.

Mr. FLETCHER. But the war was on in 1914. I was over there when it started and I know.

Mr. LENROOT. Then does the Senator make the claim that if Great Britain and Turkey should get into war to-morrow we would be justified in levying inheritance taxes?

Mr. FLETCHER. Oh, we were looking ahead in 1916, as we had a right to look ahead. That act was to provide taxes for 1917.

Mr. LENROOT. Of course we were looking ahead, and yet the total expenditures of our Government in 1916 when we levied the tax were not nearly so great as they are to-day.

Mr. FLETCHER. We started with a mild tax.

Mr. LENROOT. And the reason why they are greater to-day is because we have not yet paid for the war. Why does the Senator say the emergency is over?

Mr. FLETCHER. The committee have here framed a bill entitled "A bill to reduce and equalize taxes." You are telling the people that the very object of the bill is to reduce taxes.

Mr. LENROOT. And the bill does reduce taxes.

Mr. FLETCHER. But the Federal Government does not need the revenue. The department will tell the Senator, I expect, that with these provisions in the bill we will not derive enough revenue from these taxes to much more than pay the expense of collection.

Mr. LENROOT. Oh, I beg the Senator's pardon. The department will tell us nothing of the kind.

Mr. FLETCHER. I do not know what they will say, but I am satisfied from the figures that were given—and I am convinced from the information we have—that it will cost practically within a few million dollars of what we will collect to make the collection. Of course in these days when we get to talking about a million dollars I am lost. I do not know what a million dollars is, but within a few million dollars—what we call small change when it comes to raising revenue of $4,000,000,000—of the total amount collected will be the cost of collecting this tax under the revenue bill that is now before us.

Mr. LENROOT. The Treasury makes no such estimate, but entirely on the contrary.

Mr. FLETCHER. What do they estimate?

Mr. LENROOT. Two per cent is what it has cost.

Mr. FLETCHER. And we do not get very much revenue from it now?

Mr. LENROOT. Oh, over $100,000,000.

Mr. FLETCHER. That is less than we have been getting?

Mr. LENROOT. It cost us $2,000,000 to collect that $100,000,000.

Mr. FLETCHER. Then the Senator proposes to collect $100,000,000 and give $80,000,000 of it away? He would only have $20,000,000 to cover the total expense of collecting it.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Utah?

Mr. FLETCHER. I yield.

Mr. KING. I have an amendment proposing to reduce the 80 per cent to 25 per cent; that is, to restore the existing rate. Personally I would prefer a low inheritance or estate tax by the Federal Government with no return or credit to the State. I am in sympathy with the argument of the Senator that we ought not to collect money through the taxing power merely for the purpose of returning it to the States, or for the purpose of enforcing uniformity. That argument to me is unsound and fallacious and a wholly improper argument. But I have offered the amendment reducing the 80 per cent, as provided in the House text, to 25 per cent. I adopted 25 per cent because I do not believe that I could secure the approval of an amendment that made no provision for returning anything to the State and because it is existing law, and with the hope that in the next year or two the situation may be so clarified that we may determine just what is wise to be done. I have in view the recommendations of the tax commission which has been function-

ing for many years, and which has considered the subject with a great deal of earnestness and ability, and has made certain recommendations with which the Senator is familiar, among them being that at least for six years there should not be a repeal of the estate tax.

Mr. FLETCHER. Their first impression was that the Federal Government ought to retire entirely from the field, that they ought not to continue this law and the imposition of estate taxes, and then they finally thought perhaps we ought to continue for six years. That was not the unanimous vote of the commission, but a majority favored a leeway of six years before the Federal Government actually retired. Really they favor leaving that field of taxation entirely to the States.

Mr. KING. I think perhaps that is true. I think that some members of the commission are in favor of the abolition of inheritance taxes absolutely, not only in the field of the existing Federal law but also the repeal of State laws which provide inheritance or death taxes. There are some members who took a different view. But in view of the complexity of the State legislation, its many incongruities and inconsistencies and the injustices which follow, the fact that there are isles of refuge being established, and among them the most beautiful being the State of Florida, and in view of other questions which I shall not intrude now upon the time of the Senator to discuss, they reached the conclusion that it were better for at least six years not to repeal the Federal estate tax law. It does seem to me we could very properly follow the admonition, or at least the recommendation, of the tax commission in dealing with the subject to-day. I am not in sympathy, however, with their view, as I recall their view, that we should credit 80 per cent back to the States.

Mr. FLETCHER. I think that originated in the fertile brain of somebody who had some idea that it would tend to promote uniformity of legislation in the States, and that was the purpose of the device. In my judgment, it vitiates the whole title.

I want to make one more point and then I am going to yield the floor, and that is that Title III is void in its entirety. The courts would not simply hold that paragraph (b) is void, but would hold that the whole title is void if the question should be raised before it. I cite as to that proposition what Chief Justice Shaw said in Warren against Charlestown:

> It is elementary that the same statute may be in part constitutional and in part unconstitutional; and, if the parts are wholly independent of each other, that which is constitutional may stand, while that which is unconstitutional will be rejected. And in the case before us there is no question as to the validity of this act, except sections 27 to 37, inclusive, which relate to the subject which has been under discussion; and as to them we think the rule laid down by Chief Justice Shaw in Warren *v.* Charlestown (2 Gray, 84) is applicable—that if the different parts "are so mutually connected with and dependent on each other, as conditions, considerations, or compensations for each other, as to warrant a belief that the legislature intended them as a whole, and that if all could not be carried into effect the legislature would not pass the residue independently, and some parts are unconstitutional, all the provisions which are thus dependent, conditional, or connected must fall with them." Or, as the point is put by Mr. Justice Mathews in Poindexter *v.* Greenhow (114 U. S. 270, 304; 5 Sup. Ct. 903, 962): "It is undoubtedly true that there may be cases where one part of a statute may be enforced as constitutional and another be declared inoperative and void because unconstitutional; but these are cases where the parts are so distinctly separable that each can stand alone, and where the court is able to see and to declare that the intention of the legislature was that the part pronounced valid should be enforceable, even though the other should fall. To hold otherwise would be to substitute for the law intended by the legislature one they may never have been willing, by itself, to enact."

Applying those rules to the legislation now pending, it must fall. The purpose here is to promote uniformity. One way of accomplishing it and the selected way of accomplishing it as devised is to insert paragraph (b), which provided a deduction of 80 per cent of the Federal tax where an inheritance tax is paid in the State, and the two go together. The purpose is there; the purpose could not be accomplished without the two going together; and if paragraph (b) falls, the whole title must fall; and therefore I say that the committee amendment ought to be adopted repealing all estate tax laws, striking out Title III.

Mr. SIMMONS. Mr. President, may I interrupt the Senator a moment?

Mr. FLETCHER. I yield to the Senator from North Carolina.

Mr. SIMMONS. Camouflage the situation as anyone will, I think it is generally understood—certainly it is very clear to me—that the purpose of retaining the inheritance tax is not to raise revenue to meet the necessary expenses of the Government, but it is for the purpose of enforcing uniform legislation on the part of the States with reference to inheritance taxes.

The Senator probably knows that the governors of thirty-odd States appeared before the Ways and Means Committee of the House, urging that the Federal Government retire from this field of taxation and leave it entirely to the States. That proposition and that insistence on the part of the governors of the several States was met by the Ways and Means Committee of the House with the proposition that they would so adjust the provisions of the bill as to give four-fifths of the entire receipts derived from the Federal inheritance tax to the States in order to induce them to conform their laws to this requirement of the United States Government, to bring about uniformity in the State laws. That was the purpose. My understanding is that the Government will realize net but very little revenue from the tax, and that this tax is not being advocated for the purpose of revenue but for the ulterior purpose of enforcing uniformity in taxation of inheritances by the States.

Again, the Senator said that we have never resorted to this form of tax except in cases of great pressure resulting from war. The Senator should have said "from war or threats of war." In 1796, when we levied it, we were threatened with war between this country and France, and to be prepared for that possibility it was found necessary to raise an additional amount of revenue, and we resorted to an inheritance tax. In 1916 we were not at war with any nation upon the earth, but a war was raging in Europe in which it was feared that we might be drawn. The public mind was apprehensive. There was a demand from one end of the country to the other that we should put ourselves in a state of preparedness. It was the preparedness argument that started the Government upon unknown and unheard-of expenditures at that time. We in that emergency enacted the law of 1916 imposing a tax upon inheritances.

It is true that in the year 1916 our expenditures were not very much greater than they were in the preceding year.

But that tax was not levied to raise revenue for the year 1916; it was levied for the purpose of raising revenue for the year 1917, in order to meet the extra expense that we recognized would be entailed upon the Government as the result of the preparedness program. It was in 1917, therefore, that the Federal inheritance tax began its operation.

What happened in 1917? In 1917 our expenditures, by reason of the preparedness program, rose from $741,000,000 for the year 1916 to $2,086,000,000 for the year 1917. Even after the imposition of the inheritance tax our receipts were during that year only about half sufficient to cover our expenditures. I wanted to make that clear to the Senator.

Mr. FLETCHER. I am very glad that the Senator brought those figures out.

Mr. LENROOT. Mr. President, may I interrupt the Senator just once more?

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Wisconsin?

Mr. FLETCHER. I yield.

Mr. LENROOT. Is it the position, then, of the Senator from North Carolina that it is proper to levy an estate tax in anticipation of war expenses, but that it is wrong to levy one when the expenses have been incurred and not paid?

Mr. SIMMONS. Mr. President, if the Senator from Florida will pardon me, we anticipated this heavy expenditure, and it was even heavier than we anticipated. We levied the tax to increase our revenue for 1917 from $782,000,000 in 1916 to $1,124,000,000 in 1917; but even after we had increased our levy, almost doubling the amount of the tax that we raised in 1917, our revenues fell short by $1,000,000,000 of meeting the increased expenditures of the Government as the result of our entrance upon the program of preparedness for what we anticipated possibly might be impending.

Mr. FLETCHER. Mr. President, the Senator from Wisconsin [Mr. LENROOT] of course does not intend to say that we are not now engaged in a program of reducing taxes. We are not keeping up the high levies, the war duties, or anything of that kind, but we are in this bill reducing the war taxes all along the line.

Mr. LENROOT. Yes; and this bill does propose to reduce the estate taxes, but the Senator wants to wipe them out altogether. He does not, however, propose to wipe out altogether taxes on incomes of $5,000 or $10,000 a year. Why does he not?

Mr. FLETCHER. I think we ought to wipe this tax out, as I have undertaken to say, because we never have in all of our history imposed this species of taxation upon the people except in some great emergency. The first law for this pur-

pose was passed in 1797. The bill to which the Senator from North Carolina [Mr. SIMMONS] referred in 1916 was passed in September to provide taxes, as he has stated, for 1917.

Mr. SIMMONS. And I want to remind the Senator also that we have never considered the income tax as an emergency tax. It is the inheritance tax which we have treated as an emergency tax.

Mr. FLETCHER. We adopted a constitutional amendment for the purpose of providing for income taxes, but this does not come under that constitutional provision. This is not an income tax. This is a tax on capital, pure and simple.

Mr. LENROOT. No; the Senator does not mean that.

Mr. FLETCHER. It is an emergency tax. I have already discussed that, and I will not take up more time about it. We failed to repeal the inheritance tax law which was enacted in a time of emergency after a reasonable lapse of time; we waited longer about repealing it than we ever have any statute of the kind in the past. I submit, Mr. President, that there is no need to undertake to pass legislation of this kind. In my judgment, the courts are just as certain to declare it to be unconstitutional as they are certain to declare the act of 1924 to be unconstitutional if the subject shall be brought to their attention, as, of course, it will be.

Mr. SIMMONS. Mr. President, in effect, this is a tax upon capital, and a direct tax upon capital. There is but one thing that removes it from the constitutional inhibition against the Federal Government's levying a direct tax upon capital except through apportionment among the States, and that is that the States, forsooth, have established a system of inheritance taxes based not upon the fact that a decedent owned so much property but based upon the fact that the State has conferred upon the decedent the right to bequeath his property, has conferred upon the heirs of the decedent the right to inherit his property, and the State levies the tax upon the privilege. The Federal Government says, "I have a right to take advantage of that privilege, and I impose this tax upon the privilege of succession and inheritance." So the Federal Government, by taking that position, has avoided what otherwise would have been a constitutional inhibition. If there were no such excuse for levying this tax upon the part of the Federal Government, then it would be a direct tax upon property; and it would be unconstitutional unless the Federal Government provided for its apportionment among the States. It is, in effect, a tax upon capital, and a tax upon nothing but capital. It is a tax of a certain per cent on the value of the property left by a decedent at death, and in that sense it is a direct tax upon property.

The Federal Government, however, was able to protect itself against the claim of unconstitutionality by asserting that it was a mere tax upon the privilege of succession or inheritance.

Mr. KING and McLEAN addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Florida yield; and if so, to whom?

Mr. KING. As I first addressed the Chair, I think I have the floor. I desire to take the floor, but I will yield to the Senator from Connecticut.

Mr. McLEAN. I do not care to take the floor for a speech, but before the Senator from Florida [Mr. FLETCHER] closes I should like to offer a suggestion to him. If, however, the Senator from Utah [Mr. KING] desire to discuss this subject at some length, I will not interrupt him.

Mr. KING. I am willing to yield to the Senator from Connecticut in order that he may propound his question.

Mr. McLEAN. I am very much interested in the position which has been taken by the Senator from Florida [Mr. FLETCHER.] and the Senator from North Carolina [Mr. SIMMONS], which is entirely correct in my opinion. Strictly, perhaps, an inheritance tax is not a tax on capital, but it seems to me, by whatever process you flank the Constitution as a matter of fact it is a direct tax on capital in its effect.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Connecticut yield to the Senator from Utah?

Mr. McLEAN. I yield.

Mr. KING. Is not a tax upon all property in effect a direct tax? Take, for instance, the unoccupied real estate in the Senator's State.

Mr. McLEAN. I have not finished my point. We pretend that we want to tax ability to pay. I think we not only should pretend to tax ability to pay, but should confine our taxes as far as possible to ability to pay. That means that we must in a large measure tax profits. When we impose an inheritance tax we impose it regardless of ability to pay on the part of the man who pays the tax.

A son who inherits a large property, a going concern, a mercantile establishment, or a factory thinks he has inherited great wealth possibly, but, if the factory is running at a loss it is worth less than nothing to him unless he disposes of it at a great sacrifice. The resources of the inheritance taxpayer are frequently weaker than those of the devisor or person from whom he inherited the property. A son who inherits a property may be young, or the person who inherits may be the widow; the property inherited may be an apartment house or a hotel or a factory; and, perhaps, there is not the previous efficiency of management; there is not the superintendence; there is nobody to take care of it possibly, unless some one is called in from outside for that purpose. To pounce upon that property and impose a heavy tax, if it comes at a period when no profits are being made, frequently may result in serious consequences. I submit that we are violating the principle upon which we base our Federal taxes—namely, taxing profits or capital gains or incomes which represent profits.

There is one other point to which I wish to call the attention of the Senator from Florida.

Mr. FESS. Mr. President, will the Senator before he leaves this matter allow me to interrupt him?

Mr. McLEAN. Yes.

Mr. FESS. I see the problem, I think, as the Senator from Connecticut does, that an inheritance tax in its result is a capital tax, and legislation that attempts to relieve the situation so as not to make too great an invasion on the use of the capital shows that the legislator has looked upon it as a capital tax. But this is what bothers me: It is certainly a system of taxation that is well established in many of the States and certainly in Europe; and although it appears to me that the Senator from Florida is entirely consistent, being opposed to all estate taxes, both Federal and State——

Mr. McLEAN. That is the point I am coming to next.

Mr. FESS. Yet as it is a system of taxation well established, which would be the better plan to accept?

Mr. FLETCHER. Mr. President, may I say to the Senator that I am making no quarrel whatever with anybody who favors an inheritance tax in the States. It is a matter for each State to settle for itself. Many States impose it; many States favor it; and many people favor it. I am making no suggestion even about that. I am only saying that it is a question for each State to settle for itself, and I am saying that the Federal Government never has attempted to impose this kind of a tax except in case of war or to meet a great emergency, and as soon as the emergency was over invariably it has retired from the field and repealed the legislation. That is the history of it from 1797 down to date.

Mr. KING. Mr. President, I will say to the Senator, as I think I have the floor in my own right——

Mr. McLEAN. Mr. President, I should like to answer the question propounded by the Senator from Ohio.

Mr. KING. I beg the Senator's pardon. I thought he was through.

Mr. McLEAN. No; I had not finished, and I shall be obliged if the Senator will indulge me about three minutes more.

Mr. KING. Very well.

Mr. McLEAN. It was stated here the other day by several Senators, and I think the Senator from Nebraska [Mr. NORRIS] stated, that the inheritance tax was recognized by all of the authorities as a wise and just system of Federal taxation. I have read some of the authorities on this subject, and I find that one authority—and I think we will all recognize that he is a high authority; I refer to Professor Seligman—is directly opposed to the imposition of a Federal inheritance tax.

Mr. FESS. And no Senator on the floor is better informed on the subject than the Senator from Connecticut.

Mr. LENROOT. Professor Seligman has changed his mind.

Mr. McLEAN. He may have changed his mind. I have here, however, the latest edition of his work on the income tax.

Mr. KING. Who is the author of it?

Mr. McLEAN. Professor Seligman.

Mr. KING. Professor Seligman has argued in favor of it recently before the committee——

Mr. LENROOT. Yes.

Mr. KING. And he made a very full and complete speech recently in the tax conference affirming his belief in it.

Mr. McLEAN. Let us see how consistent he is. He is discussing the income tax of 1894. Senators will remember that at that time we imposed a 2 per cent income tax on all incomes exceeding $4,000.

Mr. FESS. Was that when the income tax was pronounced unconstitutional?

Mr. McLEAN. Yes; and in that tax there was included a tax at the same rate on gifts or inheritances; that is, at that time a gift or an inheritance was considered as income. The professor devotes two pages to a discussion of the inheritance tax as a proper Federal tax. He may have modified his opinion since that time, but I think that the discussion of the subject in his book is much sounder than any opinion he has expressed recently.

I quote:

The third objection is one to which we have already alluded, the incorporation of an inheritance tax into the income tax law. It was discussed above rather from the point of view of the theory of income. To say, however, that the inclusion of inheritances is unscientific does not settle the question whether it was correct to tax inheritances as such.

It is, after all, immaterial whether the law provides for a separate inheritance tax or whether it is made a part of a nominal income tax. The real question is, Was it wise to impose an inheritance tax at all?

To answer this query it is necessary to consider the relations between Federal and State taxes. From the very origin of our Government it has been the practice to make a difference between the two and to apportion to each government certain sources of revenue upon which the other should not encroach. This principle has been violated only in some periods of extraordinary emergency, or at other times in some minor legislation, as, for instance, in the case of the whisky taxes in Delaware and Kentucky, which conflict with the national internal-revenue system. But the introduction of the inheritance tax, even in the modified form of a tax on successions to personal property only, is a serious break with this principle of differentiation or segregation of source.

I ask the Senate to pay particular attention to this:

One of the chief steps in the reform of American finance has been the growth of the inheritance tax as a Commonwealth tax and its development, together with the corporation tax, as a main, or in some cases almost an exclusive source of Commonwealth revenue, thus permitting the other sources of revenue to be relegated to the local divisions. The imposition of a Federal inheritance tax, while perfectly justifiable in itself, would tend to check this salutary development.

That is, the development of the State taxes along the line of the inheritance tax, the corporation tax, and the license tax.

It would supply the Commonwealths with a reason for not adopting the inheritance tax as a source of State revenue and it would render far more difficult a rounding out and logical arrangement of the entire tax system.

It may be said that just as an income tax is far better as a national than as a State tax, because so many complicated questions of domicile and double taxation are avoided, so in the same way, and largely for the same reasons, a Federal inheritance tax is preferable to a State inheritance tax. But even if this be true, the advantage is dearly purchased at the cost of an entire reversal in the march of progress toward a consistent and logical revenue system for the entire country. It may be possible to find some method of filling the gap created in the Commonwealth tax system. But it seems a pity, to say the least, to check a promising movement when the difficulties of making any changes at all are so great as in the local tax systems of the United States at present.

I do not care what the professor has said since then; it seems to me that his position taken in 1914 is absolutely sound. If we are to encroach upon the powers of the States in securing their revenues by insisting upon an inheritance tax, we are disarranging and so interfering with the logical and sane adjustment of this question that in my judgment the time will come when we shall have to stop the assessment of inheritances by the United States.

Mr. SIMMONS. Mr. President, will the Senator pardon me just a minute?

Mr. KING. Certainly.

Mr. SIMMONS. At that particular point I desire to say that so far as I am concerned—and I think that was the idea of the governors in coming up here to petition the Ways and Means Committee against levying a Federal inheritance tax—I am actuated by the same principle that they were, not to relieve wealth of this tax. I think it is a proper source of revenue. It has been fruitful for the Government in the emergency through which we have just passed. It is a fine source of revenue to the States; but if the Government continues its heavy levy, to that extent it makes it unavailable to the States, and the States have been forced by reason of the high Federal inheritance tax to reduce their inheritance levies to a minimum. The Federal Government needed this tax at the time it imposed it. It would not have imposed it unless it had needed it. The history of this tax, so far as it has been imposed by the Federal Government, is that it has been imposed only when the Government actually needed revenue because of some tremendous and unusual demand upon the Public Treasury, such as war or preparedness in prospect of war. Now, the need for it, so far as the Government is concerned, has passed. The States need for this revenue, their need to resort for increased taxes to this revenue, is just as much accentuated by the conditions that exist in the United States to-day as the demands and reasons of the Government for levying it were accentuated by the conditions that existed when we were about to enter the war with Germany.

Mr. McLEAN. The Senator reminds me of an illustration which I should like to insert here. Take the corn States, about which we hear so much at the present time—the seven corn States that need relief. Their bonded indebtedness in 1912 was $700,000,000. In 1922 it was $1,700,000,000, and I presume to-day it is $2,000,000,000. If they can borrow that money at 4 per cent, there are $80,000,000 of taxes which they must get somehow to meet the interest charges on their bonds. In the last census the assessed value of the visible property in those seven States was $80,000,000,000. That property, we must assume, is taxed, and if the rate were 15 mills upon the dollar—and I think that is a low average in most of those States—you have $1,200,000,000 to raise in direct taxes imposed upon the real property in those States, and if you add the $80,000,000 interest you have $1,280,000,000. Now, Mr. President, if we insist upon this inheritance tax and deprive the States of resorting to it, it seems to me that the farmers throughout this country are bound to suffer by an increase of direct taxes upon their real property.

In my own State we raise our State revenues from corporation taxes, license taxes, and inheritances. We have an inheritance tax. We have not resorted yet to a direct tax on real estate for the purpose of paying expenses, but if we are deprived of the privilege of this inheritance tax we may have to resort to a State tax upon our real estate. That hits the farmer; and I can not conceive how the gentlemen who are interested in the farmers of the country, the great agricultural interests, can insist upon a continuance of this inheritance tax, because it seems to me that it must be reflected in an additional tax upon real property.

Mr. SIMMONS. And every cent that the States will realize from this tax will reduce the ad valorem tax of the farmer, the laborer, the small householder, and the small business man to that extent.

Mr. KING. Mr. President——

Mr. SIMMONS. If the Senator will pardon me just one word, what I wanted to say to the Senator a little while ago was this:

The Federal Government now proposes, as I understand, substantially to retire from this field of taxation for revenue purposes. It does not need to resort to it any longer. The States, however, as I said a little while ago, by reason of conditions that have been created largely as a result of the late war, need it as they never needed it before. Everybody knows that all the States of this Union within the past five or six years have entered upon vast schemes of internal improvement, some of them made absolutely necessary by new conditions growing out of new inventions and development. When we did not have the automobile the rural population were getting along very well with the old-fashioned dirt road. When the automobile came it made it absolutely necessary, if we were to take advantage of this improved method of travel and transportation, for us to enter upon the great and extensive work of building hard-surfaced roads throughout the country. In order to do that an enormous burden is entailed upon the States, the counties, and the municipalities—the counties in building county roads, the States in building State roads, and the towns in building paved streets—and that fact alone, if we were not to consider the other modern improvements that the States have recently entered upon that they never thought of before, has enormously increased the burden of local taxation.

If all of that money has to be raised by ad valorem taxes imposed upon every acre of land and every little home and every little business in this country, it will be oppressive and burdensome to the last degree. Now, then, we have this situation: The Government does not need this source of revenue for the purpose of meeting any emergency and it has resorted to it heretofore only in order to meet an emergency; but the States have an emergency growing out of present conditions just as great for them as was the emergency which war imposed upon the Federal Treasury. What I am insisting upon is not, as some Senators upon this floor have seen fit to contend, to untax wealth, to untax the States. What I am insisting upon, and all I am insisting upon, is that we transfer this source of revenue from the Federal Government, which does not need it, to the States, which do need it.

Mr. WILLIS. Mr. President——

The PRESIDING OFFICER (Mr. BAYARD in the chair). Does the Senator from Utah yield to the Senator from Ohio?

Mr. KING. I have been yielding for half an hour; but I will yield to the Senator.

Mr. WILLIS. Very briefly, I just wanted to pursue the argument that has been made just now by the Senator from North Carolina and the Senator from Connecticut.

This complaint is heard—at any rate I hear it—that our efforts, and successful efforts, to reduce Federal taxation do not to an appreciable extent reach a great many of the people who are now complaining about the excessive burdens of taxation. They do not know just how it comes. They read in the papers that we reduced taxation $300,000,000 a year, but somehow it does not show upon their tax receipts.

As the Senator from North Carolina and the Senator from Connecticut have pointed out, if the Federal Government is to seize upon this source of revenue, not only in time of emergency but permanently, then it is absolutely inevitable that local taxation must be increased to meet the increased expenses of the States and various municipalities, the counties, and so forth.

On the other hand, if this is held simply as a fund to which access can be had in case of emergency, then it is left to the States, and they may have access to it, and the inevitable result will be, if they utilize that resource, that it will tend to lighten the burdens of local taxation and thus afford the remedy that we are all trying to afford.

Mr. SIMMONS. Everybody would get the benefit of it.

Mr. WILLIS. Absolutely.

Mr. KING. Mr. President, one of the most controversial provisions in the pending revenue measure is that dealing with estate taxes. Divergent views are taken by the House and Senate, the former declaring for a modified form of estate taxes, the latter insisting that the Federal Government shall collect neither inheritance nor estate taxes.

There are some Senators who believe that estates should be taxed, but that the States alone should exercise the right to tax them. There are others who insist that the Federal Government should enter this field of taxation, both in days of peace and in times of war, and derive a portion of its revenues therefrom. Throughout the country divergent views exist respecting this subject, and it is evident that there is a growing sentiment against the Federal Government imposing inheritance or estate taxes except in a national emergency.

This feeling is in part due to the fact that the growth of the States, and the more complicated industrial and social conditions, devolve upon them greater burdens and obligations. The result is that annual expenditures are increasing, and the sources of taxation are not enlarged. The States are spending hundreds of millions of dollars for roads and schools and internal improvements and other activities which they regard as important for the happiness and welfare of the people.

I have sometimes felt that the States and their municipalities, and other political subdivisions have been entirely too prodigal in expenditures and have assumed obligations not warranted and in many instances wholly unjustified. And there are evidences that many appropriations have been extravagant and wasteful. The readiness with which State and municipal securities have been marketed has, in my opinion, led to many improvident undertakings and to many unwise, if not foolish, expenditures.

The bond issues which have been put out during the past few years by the States and their political subdivisions amount to a stupendous sum and compel the conclusion that the entire country is suffering from a feverish malady which leads to excesses of various forms, and departures from the safe and sound paths of thrift and industry which have been regarded as attributes of American character. The war produced a frenzied condition, and the inflation both in currency and credits has contributed to this unnatural condition and strengthened the disease which manifests itself in extravagance and prodigality in public as well as in private life.

Undoubtedly there are reasons why the Federal Government should not resort to the estates of decedents for revenue, particularly since corporate taxes and personal-income taxes are such prolific sources of revenue. If the National Government will exercise proper economy, it should within a few years be able to meet its annual budget from customs duties, corporation and personal-income taxes, taxes upon tobacco in its various forms, and perhaps a limited number of excise taxes. For the present, however, I am in favor of the Federal Government obtaining some revenue from estate taxes.

In 1917 and 1918, I was one of the few Senators who indicated that as a general rule, Federal taxes should not be levied upon estates. I believed that with the heavy burdens which the States would have to bear and the rather limited field of taxation available to them, so far as possible estate and inheritance taxes should be left open for them. I indicated then, however, that if States for various reasons should not avail themselves of this source of revenue, or if unjust estate and inheritance taxes were imposed, a situation would be presented which would not only justify, but perhaps require the Federal Government to utilize the estates of deceased persons as a source of revenue.

I believe it just that estates should contribute to the Federal Government to meet the heavy burdens of the war, and I have felt that under the present conditions with a burden of $20,000,000,000 still resting upon the people, this source of revenue should still be resorted to.

The Senator from North Carolina [Mr. SIMMONS] has just indicated that it is improper, if not unjust, for the Federal Government to tax estates, because in so doing it deprives the States of the opportunity of imposing inheritance or estate taxes. It is argued that this will compel the States to resort to other sources of revenue. Of course, it must be admitted that with the Federal Government collecting estate taxes, there is a growing disinclination upon the part of the States to seek revenue from the same fields. I shall show, however, before concluding my remarks, that the States have availed themselves but little of estate or inheritance taxes to meet their heavy burdens; and it must be obvious that with certain Budget requirements by the Federal Government, if it derives no revenue from estates, it will be compelled to increase the taxes upon corporations or individual incomes or to expand the excise system which is so obnoxious in peace times. The largest annual tax ever collected by the Federal Government from estates was $154,000,000. By so doing taxes were lowered in other directions.

The Senator from North Carolina has been solicitous, and properly so, for the welfare of the States and the farmers, and the Senator from Connecticut [Mr. MCLEAN], who has just spoken, has insisted that all agricultural States should join together in a solid phalanx in opposition to this tax, because they have heavy responsibilities to meet. Undoubtedly the States are to be considered in all legislation; and agriculture, because of its paramount importance, will always have the attention of Congress when it is dealing not only with revenue legislation but with substantially all matters.

I agree with the statement made by various Senators that the integrity of the States must be preserved and their rights not infringed. I regret that some of the Senators who have given expression to these views have heretofore exhibited less interest in the rights of the States and in local self-government even when important measures were before Congress; measures which assailed the integrity of the States and infringed upon personal liberty.

I do not think that it can be successfully maintained that a Federal inheritance tax is an attack upon the States or an interference with local self-government. If it were, it would be unconstitutional. But no one dares to question the constitutionality of a Federal inheritance or estate tax. It is true that States provide for the devolution of property, and the rights of individuals in property are fixed and determined by the sovereign States.

But conceding this, it does not follow that it is unconstitutional for the Federal Government to obtain revenue from estates. In a sense, property obtained by devise or gift or bequest, is income, and if an income tax is not illegal or immoral, it would seem that there is no illegality or immorality in taxing the property of deceased persons which becomes income in the hands of heirs or devisees.

The maximum amount collected by the States in any one year was approximately $82,000,000, and this notwithstanding the fact that the returns of estates for that year in excess of $50,000 aggregated $3,000,000,000. It would seem therefore that States were unwilling to avail themselves of this productive source of revenue.

It is worthy of note that a number of States, instead of resorting to the estates of decedents for revenue, are deliberately announcing their purpose to not collect inheritance or estate taxes.

Florida has amended her constitution, and as amended, her legislature is prohibited from imposing any form of estate or inheritance tax. Nor does Nevada obtain taxes from this source, and we are told that one or more additional States purpose adopting Florida's policy. Moreover, it is a matter of common knowledge that a number of States are encouraging emigration by not imposing income taxes and very low rates of inheritance or estate taxes. It can not be denied that many individuals are establishing domiciles where State income taxes

are not imposed and where there are no inheritance or estate taxes. It is a matter of common knowledge that hundreds of wealthy individuals maintain a nominal residence in the District of Columbia, because there are no inheritance or estate or income taxes collected by the District government.

Can anyone deny the effect of the constitutional provision in Florida to which I have just referred upon migration to that State? We are told that there has been an enormous increase in Florida's population during the past year, and that many wealthy persons have established their residence therein.

It is unprofitable to moralize upon this subject; we all know the propensities of human nature and the disposition even upon the part of persons of the highest virtue and morality to protect themselves and their property from tax burdens. Investments are made in securities which are tax-exempt for the purpose of avoiding taxation. Industries are established or property acquired because the city or county or State has a low rate of taxation.

So in discussing the question of estate taxation and the relative rights of the Federal Government and the States to resort to estates for revenue, there are various questions to be considered. We can not ignore the facts to which I have just referred, and the seeming disposition of States for reasons which they deem sufficient to obtain their revenue from other sources than estate or inheritance taxes.

I do not approve of the Federal Government adopting any course which might be considered as coercive of the States. I have therefore opposed the proposition to remit to the States 80 per cent of the tax levied under the House bill, or 25 per cent of the tax levied under existing law in those States where inheritance or estate taxes were or may be levied equivalent to the amount derived from either percentage. If the Federal Government levies estate taxes, it should be because of its need for the revenue and because it believes such tax to be just and fair. But I shall discuss this matter later in my remarks.

Mr. President, the Progressive Party declared in favor of a Federal inheritance tax, and Mr. Roosevelt in his writings earnestly supported this view not only as a means of revenue but for the purpose of equalizing wealth. I do not approve of the levying of taxes for the purpose of equalizing wealth.

The Progressive Party pledged itself to enact—

> such a Federal law as will tax large inheritances, returning to the States an equitable percentage of all amounts collected.

Mr. President, a number of Senators who have spoken declare that it is socialistic for the National Government to impose inheritance or estate taxes, but they perceive nothing socialistic for the States to collect death dues. They insist that it is absolutely necessary for the States to exclusively enjoy this field of taxation. I can not perceive how it is socialistic for the Federal Government to tax estates and antisocialistic for the States to impose this tax.

When attention is challenged to the comparatively small revenue collected by the States from this source, no satisfactory explanation is offered for their apparent lack of interest in this matter. One would suppose that if this field of taxation was so imperatively required by the States, they would have resorted to it more freely than has been the case. But as I have stated, the tendency seems to be in the other direction. Indeed, many of the witnesses who appeared before the House committee, and many of those who are the strongest opponents of the estate tax feature of the House bill, boldly declared their opposition to all estate or inheritance taxes, basing their position upon the ground that it is a tax upon capital, that it is socialistic, and if not unconstitutional, is inconsistent with our political philosophy and accepted governmental principles.

Mr. President, there are some individuals who do not quite understand what socialism is. They often denounce as socialistic anything that is opposed to their industrial or economic or political views. There are too many in the United States who are idolators, worshipping capital and attributing to it a station so exalted and so omnipotent as to be above law or outside the reach of Government. It is only a few years ago when the income tax was denounced as socialistic. Indeed, there are some still who look upon it with abhorrence, as the ill-begotten child of communism and socialism.

It took years of fierce fighting to amend the Constitution of the United States in order than an income tax might be levied by the Federal Government. It was resisted by many men of wealth, by the reactionary forces of the land, and by those who had but scant sympathy with the toiling masses and who were unwilling to bear their part in alleviating the sufferings of the people and in contributing to the great social reforms necessary for the progress and development of our country.

Mr. President, the American people are not communistic, nor will they, without great provocation, give support to socialistic schemes. They believe in individualism and in the democratic principles which grant equal rights to all and special privileges to none. They want a free field and equal and free opportunity in the field of life. They do, however, look with deep concern upon selfish and predatory wealth and the special privileges and advantages which it seeks and which it has too often secured. They view with apprehension combinations of capital for the purpose of creating monopolies and exploiting the people. Many thoughtful persons are concerned at the great mergers of industrial enterprises and the utilization of capital to promote stupendous organizations to control trade and commerce and the manufacture, sale, and transportation of the commodities indispensable to life. Many regard with dismay the price fixing and various other organizations which seek monopolistic control of all articles entering into the lives of the people, and oppose measures and policies which centralize wealth and power in the hands of the few.

These movements and these dangers should rouse all patriotic people, because if unchecked they will inevitably affect our political and economic life and develop socialistic manifestations. If enormous fortunes are built up as the result of unjust laws or unjust social and economic conditions, and these fortunes and accumulations are massed and united for the control of the industrial, economic, and political life of the people, there will be developed opposition to the conditions which have produced these monopolistic organizations, and demands will be made that the Government take over or regulate and control these organizations and the wealth controlled and utilized by them.

Mr. President, estate and inheritance taxes are advocated by statesmen and economists who are not socialists, but exponents of the highest principles and the noblest forms of democracy. Indeed, some publicists believe that taxes of this character will prevent socialism. Mr. Carnegie advocated heavy estate taxes as an antidote to socialistic manifestations. Mr. Wilson supported measures levying estate taxes for Federal purposes.

I mentioned Mr. Roosevelt. In a letter to Senator Lodge he uses these words:

> All that you say about the tariff is extremely interesting and just about what I expected. As you know, I believe we should have a Federal inheritance tax aimed only at very large fortunes which can not be adequately reached by State inheritance taxes, if they are sufficiently high and the gradation sufficiently marked.

Mr. Carnegie in his book called The Gospel of Wealth, written, I think, in 1890, discusses the question of wealth, its production and its obligations to the State and to society. After referring to the death duties imposed by the British Parliament, he says:

> It is desirable that nations should go much further in this direction. Indeed it is difficult to set bounds to the share of a rich man's estate which should go at his death to the public through the agency of the State, and by all means such taxes should be graduated, beginning at nothing upon moderate sums to dependents and increasing rapidly as the amounts swell, until of the millionaire's hoard, as of Shylock's, at least "the other half" comes to the privy coffer of the State.

Mr. Carnegie further, in an article entitled "My partners, the people," printed in the British Review of Reviews for January, 1907, says:

> The problem of wealth will not down. It is obviously so unequally distributed that the attention of civilized man must be attracted to it from time to time. He will ultimately enact the laws needed to produce a more equal distribution. It is again foremost in the public mind to-day. We have evidence of this in the President's recent speech (April 14, 1906), in which he gives direct and forcible expression to public sentiment.

I might add that Mr. Carnegie was a professed believer in the law of competition. He declared that it is this law to which we owe our wonderful material development. He contended there were but three modes of disposing of wealth: It can be left to the families of the decedents, or bequeathed for public purposes, or administered by its possessors during their lives. The first plan he regarded as injudicious, and he referred to monarchical countries where the estates and the greatest portion of wealth are left to the first son so that the vanity of the parent may be gratified with the thought that the name and title may descend to succeeding generations.

The futility of this plan is observable in Europe to-day. Many successors have become impoverished through their own follies or from causes beyond their control, and in Great

Britain the law entail is inadequate to maintain a hereditary class. The land is passing into the hands of strangers or is being divided up among the children of the owners.

It may not be inappropriate to briefly mention that in Russia, where autocracy prevailed and where the lands were largely in the hands of the Czar, the church, and the nobles, a strong movement had been in progress before the revolution resulting in millions of acres of land passing into the hands of the peasants. The efforts of landed proprietors to prevent a division of or the loss of their lands were abortive, and when the revolution came and the Czar was overthrown a large per cent of the arable lands of Russia, including Siberia, were owned by peasants individually or by them under their village or communal system.

Returning to Mr. Carnegie, he argued that for the best interests of all classes, large estates should not be transferred to the families of decedents, and that the disposition to more heavily tax large estates, manifests a salutary change in public opinion. The laying of death duties, graduated in form, upon estates, he regarded as the wisest possible policy. It induces the rich to administer their wealth during life for the benefit of society, and thus tends to a reconciliation of any differences between the rich and the poor, thus promoting the welfare of the entire social organism. He does not accept the view that this form of taxation prevents individual enterprise or savings, or the accumulation of property.

Mr. President, I referred to the fact that there is an extensive propaganda in the United States in favor of the abolition of estate or inheritance taxes, both by the Federal Government and by the States. This propaganda is taken cognizance of in a recent editorial appearing in the Des Moines Register, a leading Republican paper. It is there declared that—

> * * * whatever confusion or inequality is involved results from the State taxes, not from the Federal levy. The estate tax is being made something of a national issue, and the stock argument is that this form of taxation should be left to the States. Surely such a course would result in but one of two things. Either the States would be induced by the competitive example of Florida to abandon estate taxes or the difficulties would continue or possibly be multiplied.
>
> The appeal to leave estate taxation to the States is really put forth in the belief that it will lead to an entire abolition of this form of taxation. That is the issue now being raised. The voter should not be confused. The need is for greater unity, not less. The last place to attack inheritance taxes is in its Federal application.

The New York Evening Post takes the same position as the paper just referred to. In a recent editorial it states that—

> the inheritance tax by the State is no sounder in principle than the same thing on the part of the Federal Government. Still, the matter must begin somewhere. Repeal of the Federal law will be a good beginning.

It declares that this country is opposed to a capital levy, and assumes that any inheritance tax necessarily must be a capital levy. It speaks about the "battle still raging," and that that is the issue upon which the House Committee on Ways and Means is "already showing signs of boggling." So I suppose the Committee on Ways and Means of the House have incurred the displeasure of this great journal and must be charged with having "boggled" this important issue.

The Government may tax the living, but it may not tax the property of the dead. The taxes upon incomes may be so heavy as to prevent accumulations. That is not taxing capital according to the view of those who are seeking to repeal the inheritance taxes. Why is not property income which is received by gift or as the devisee or legatee of a decedent? Is there any greater sanctity in it than property which comes as the result of toil and labor? Many legislators are differentiating between the unearned increment and property which is the result of labor. In the very bill before us we distinguish between earned and unearned income, taxing the former when under $20,000 less than the latter.

Mr. President, there are many evidences that back of the movement to secure the repeal of the Federal estate tax is the scheme to abolish State inheritance and estate taxes. Undoubtedly there are many rich people in the United States who are hostile to any form of inheritance tax, but are masking their true feelings and professing great solicitude for the States and a consuming desire that they shall have this source of taxation exclusively. Accordingly, they are opposing the House bill, or any proposition for a Federal inheritance tax. If successful in abolishing the Federal estate tax, their next assault will be upon all forms of State inheritance taxes. That their propaganda is bearing fruit must be admitted, and the evidences of their success must be gratifying to them.

The Senate Finance Committee, of which I am a member, with but one exception favored the abolition of the Federal estate tax and struck from the bill the House provision. I regret to say that after full consideration of this subject by the committee all of its members, except myself, voted to repeal the tax. I regret that my Democratic associates felt constrained to follow the Republicans. I believe their course to have been inexpedient and unwise and their views unsound. I think to repeal this tax at the present time most injudicious and manifestly unjust.

At the expense of reiteration, I want to emphasize that existing conditions do not justify this radical legislative step. We are owing $20,000,000,000, resulting from the war. We have repealed the excess-profits tax. This bill relieves the very rich and those whose incomes are more than $100,000 of tens of millions of dollars in annual taxes to the Government. The provisions of the bill dealing with surtaxes have been too favorable, in my opinion, to those who have incomes in excess of $100,000. Surtaxes in the upper brackets have been reduced from 40 to 20 per cent, and the incomes appearing in the lower brackets have likewise been most generously reduced.

The provisions of the House bill reduced the maximum taxes upon estates from 40 to 20 per cent. But with all these reductions, the opponents of inheritance taxes are not satisfied, and the Finance Committee has yielded to the demands of the opponents of the Federal inheritance tax, and has stricken it from the bill. Not satisfied with that, the bill is made retroactive, thus relieving the estates of decedents, where the tax has already been levied, of tens of millions of dollars.

I am utterly unable to comprehend the solicitude of the committee for the estates of rich decedents, and their anxiety to relieve the estates of many individuals who have left properties totaling hundreds of millions of dollars in value from the payment of a small tax to the Government—a Government which has protected them and under which they amassed their enormous fortunes. Moreover, we know that many of these estates received large accretions during and by reason of the war. Those who accumulated them profited by the war. They made hundreds of millions through and out of the war, and yet with these heavy war obligations hanging over the country the proposition is to free these estate from any contribution whatever to discharge this stupendous war indebtedness of $20,000,000,000.

And again, many estates own tax-exempt securities amounting to millions, which have thus far escaped taxation. But none of these arguments appealed to the Finance Committee, and with remarkable unanimity, Republicans and Democrats alike, voted to strike from the tax bill the entire provision imposing Federal estate taxes.

My loneliness and isolation in the committee brought no sympathy from my colleagues, but it is apparent from the attitude of the Senate—as I have been able to judge of it during this debate—that a majority of my colleagues here will support my position rather than that of the other members of the Finance Committee.

I have just referred to tax-exempt securities held by estates. I recall that one of the witnesses before the Committee on Ways and Means testifying in favor of the Federal estate tax declared that:

> We are developing a class of suit-case millionaires who have obtained large holdings of tax-free securities. They establish no domiciles and avoid taxes, and if they finally attach themselves to a State such as Florida or to the District of Columbia, they escape all forms of inheritance or estate taxes.

This witness insisted that a Federal death tax upon tax-exempt securities was the only way in which their owners could be compelled to contribute a fair share to the public welfare.

The Senator from Florida [Mr. FLETCHER] said that an estate tax is exclusively a war-time tax. Mr. President, I do not assent to this view. It is true that it has been imposed during our periods of war, but it was also imposed when there was no war. It was imposed during the Spanish-American War as well as during the Civil War and in the early days of the Republic. In 1916 it was made a part of our Federal revenue system, with the approval of the entire Democratic Party. It has found a secure place in the revenue systems of many civilized nations, and supplies a portion of the revenues in peace as well as in war. In Great Britain the last tax bill increased inheritance taxes on estates from £12,500 to £1,000,000 by a graduated tax of from 1 to 6 per cent. The

income tax was slightly reduced and the inheritance tax was increased.

For the fiscal year 1924 there were collected by the various States of our Union approximately $82,000,000 from estates, and in 1925 by the Federal Government $101,421,766. In the fiscal year 1924 Great Britain collected more than $231,000,000 as death dues, though her national wealth does not exceed $88,000,000,000, whereas our national tangible wealth amounts to $320,000,000,000. There have been collected by the Federal Government from 1917 to 1925, inclusive, estate taxes aggregating $863,750,842.

Permit me to say in passing that the Federal Government has contributed to the States to aid them in purely State and domestic matters more than $570,000,000 during the same period, so that if the Federal Government has collected estate taxes it is returned to the States to aid them in the performance of obligations which belong to them under our dual form of government a sum nearly as large.

Mr. President, no one criticizes the inheritance tax laws of Great Britain, notwithstanding the enormous amounts annually collected. In my opinion it is neither socialistic nor immoral to collect taxes from the estates of decedents, nor is it—and I shall discuss that question later—a tax upon capital.

Mr. President, the American Farm Bureau Federation has given careful study to this matter, and I wish to submit somewhat at length the views of this organization. In the brief which is submitted to the Ways and Means Committee this organization declared that it regarded the repeal of the Federal estate act as unwise at this time. It supports the fundamental principle of taxation, that all taxes should be levied in proportion to taxpaying ability.

May I pause for a moment to refer to the argument just made by the Senator from Connecticut [Mr. McLEAN]. He contended that in taxing estates, we are denying the theory of taxation announced by Adam Smith, and are not recognizing the principle of ability to pay. So far as the question of ability to pay is concerned, there is no difference in the application of the principle to two individuals, one of whom receives as a bequest from his father $100,000 and another who earns $100,000. The Senator admits that the income tax is just and that it should apply to the $100,000 earned, and that the principle of ability to pay finds expression in its application. But in dealing with the individual who received a bequest which he did not earn, to tax the bequest is a refutation or denial of the principles of ability to pay. In one case it is income, he contends, and can be taxed; in the other, it is property, and must be immune from taxation. It is income because it has been earned by the toil and efforts of the individual and can be taxed. If the $100,000 were bequeathed to the same individual, and were to consist of money, it could not be taxed because it is property.

I do not follow this logic, nor do I follow the Senator when he declares that for the Government to tax it, is tantamount to the destruction of property.

Mr. McLEAN rose.

Mr. KING. Does the Senator from Connecticut desire to interrupt me?

Mr. McLEAN. Mr. President, the Senator from Utah knows that I emphasized the fact that we were taxing, as far as we could, ability to pay, represented largely by profits. If the Senator should inherit a hotel, for instance, that had been running at a loss and he had to borrow money to pay expenses, hoping that when times improved he might make some money, if at that time he had a 20 per cent inheritance tax imposed upon that hotel, I think he would be pretty quick to say, "I am not able to pay this tax now and if I am compelled to pay it I shall have to sell this hotel at a great sacrifice." That is what I meant.

Mr. KING. There is much property of great value which is unproductive, but nevertheless, it is subject to taxation in one form or another. The Senator knows that there are thousands of farms in the United States now unproductive, but taxes upon the same are required to be paid annually. In our cities there are many valuable sites upon which there are no buildings or improvements and which return no income whatever, yet they are taxed very heavily for municipal and State purposes.

There is a presumption that ability to pay accompanies the possession of these holdings. Perhaps no system of taxation which the wit of man can devise will approach the standard of absolute justice, but unproductive property is not relieved from the ordinary State and municipal taxes.

If the Senator implies that inheritance taxes are at variance with the ability to pay or faculty doctrine, then I do not agree with him. A person who obtains property through devise or bequest or as a gift will have the ability to pay the tax, because the property itself may be taken as the measure of his ability. If the property is valueless, he need not accept it. If it is of value, above the taxes, then his ability to pay has been increased by the acquisition of the property to the extent of the value of the property over the total amount of the tax to be paid.

We do not rest the proposition entirely upon the fact that the property must be productive——

Mr. McLEAN. That is just what I am complaining about. If this tax be insisted upon, it will inevitably reflect higher taxes in the States where we have to pay a direct tax, where the poor farmer has to pay direct taxes whether he is losing money or not.

Mr. KING. I do not follow the Senator if it is his contention that unproductive property should not be taxed by the State or by the Federal Government, or subjected to inheritance taxes by the Federal Government. I repeat that unproductive property is directly taxed by the States. If estate or inheritance taxes are imposed, it is also subject to such taxes. Its productivity does not determine whether it shall be taxed or not. Of course, if unproductive, its value is less, generally speaking, than if it were productive, and therefore will pay less taxes. But I repeat that I am unable to perceive why property which may not for the time being yield a revenue, should not be subject to inheritance or estate taxes, either by the Federal Government or by the States. It is, in effect, an income to the devisees or heirs of decedents. No inheritance law, so far as I know, has differentiated between productive property and that which for the time being yielded no revenue.

I do not agree with the Senator that it necessarily follows that a Federal inheritance tax inevitably reflects higher taxes in the States. I have heretofore stated that if the Federal Government derives $100,000,000 of revenue from estates it collects that much less from incomes or corporate or excise taxes which would have to be paid by the people of the various States, and in many States where there is either no inheritance tax collected, or an exceedingly small one, it would seem that a Federal estate tax would be advantageous to the taxpayers of such States, for the reason that they would be required to pay less taxes to the Federal Government. To illustrate, if $10,000,000 are collected from estates in Florida and Nevada and the District of Columbia, where no estate or inheritance taxes are collected for local government, then the Federal Government will collect $10,000,000 less from all the States, and to that extent lighten the burdens of taxation upon the people.

Mr. McLEAN. But that money goes to pay the expenses of the Federal Government; it is of little advantage to the States which have their expenses to meet.

Mr. CARAWAY. Mr. President, will the Senator from Utah yield?

Mr. KING. I yield.

Mr. CARAWAY. I desire to ask the Senator if he approves the provisions contained in the pending bill, as it came from the House, with reference to estate taxes?

Mr. KING. The Senator from Arkansas was not in the Chamber when I addressed myself to that question. I stated that I did not approve the provision of this bill which remits on credits to the extent of 80 per cent of the tax collected in any State.

Mr. CARAWAY. I am glad to hear the Senator say that, because I think that of all the vicious legislation that has been before Congress since I have been a Member, that is the most vicious. It is without any defense, as I see it. If the Federal Government could coerce a State by levying an estate tax, it could make it do anything else. The State would become a creature absolutely subservient to the Federal Government, and every right a citizen has under the State would be destroyed.

Mr. KING. I have heretofore stated that this provision is objectionable to me and, as indicated by the Senator from Arkansas, will be regarded as an attempt to coerce the States into adopting a system of inheritance or estate taxation, though they might not desire to do so, or to impose heavier rates of taxation than they desire, in order to obtain the 80 per cent credit provided under the Federal law.

I repeat, if it is deemed wise to impose a Federal inheritance or estate tax, its rates should be low and should be levied without reference to whether the States impose estate or inheritance taxes.

Mr. CARAWAY. May I ask the Senator if he thinks there is any merit in this contention? Of course, I do not question the authority of the Federal Government to levy an estate tax, but I question very seriously the wisdom of it doing so. In the first place, let us suppose that two men are engaged in business of identically the same kind, with exactly the same capital, and having exactly the same earning capacity; they

each pay every dollar of tax assessed against them both by the State and the Federal Government; but one of them is so unfortunate as to die, and then an additional tax is levied upon his estate.

Under what theory of good morals is that done? Has it been a blessing to his family that he died, and, therefore, his estate ought to pay a tax for having gotten rid of the ancestor? I think that at least Anglo-Saxon society rests upon the belief that private property belongs to the man who honestly acquires it, and there goes with it the right to transmit it to his children or the beneficiaries that he may name. If it is right that he should have that privilege—and I think it is wise that he should, because I believe that the experience of all mankind is that to take away the right to acquire and transmit property destroys the incentive to work at all—and if it is morally right that he should transmit his property, upon what theory do we penalize his children who have the moral and legal right to receive his property by levying an estate tax or an inheritance tax upon it? There is no new wealth created; and if the man who created the wealth—and I take it that he must have been of some account or he would not have accumulated it—was of some advantage to his family, as he must have been, his taking away has not been a blessing, and, therefore, I do not see under what theory his family should be taxed and made to pay for having lost the man who accumulated the estate.

Mr. KING. Mr. President, as I understand the position of the Senator from Arkansas, it is that the Federal Government has the authority to tax estates of decedents, but he denies the wisdom of it. There are many who take this view. But the Senator further contends that in Anglo-Saxon countries it is believed to be an abridgment of individual rights for the Government to impose estate or inheritance taxes. The Senator particularly emphasizes, if I understand his position, the immorality or injustice of taxing estates which pass to the heirs of deceased persons.

Mr. President, I do not follow the Senator in all his arguments. I do not think the right to acquire or transmit property is unduly restricted by reason of taxes being levied upon property in the hands of devisees or legatees. Taxes are often imposed upon the transmission of property between the living. No one contends that the levying of such taxes is illegal or immoral. Heavy stamp taxes are often laid upon the transfer of land or of personal property, though the transaction may tend to diminish the estate of the grantor and pro tanto diminish the property which he leaves to his heirs.

The view of many publicists—and that view is emphasized by Mr. Carnegie in his writings—is that the incentive of persons to acquire property is not affected or diminished because, upon their death, the property which they accumulated may be subject to an inheritance tax. Indeed, the view has been expressed by some that there will be greater zeal and energy displayed in the acquisition of property in order that the amount which will finally be received by their heirs will meet all reasonable demands as well as satisfy the desires and expectation of the testator.

I insist, Mr. President, that no legal objection can be offered to this form of taxation, and as I perceive the question I can see nothing improper or immoral or illegal in taxing the estates of decedents.

Mr. CARAWAY. I am not questioning the legal right. I am talking about the moral right.

Mr. KING. I admit that moral and ethical questions are encountered in legislation, and of course no legislation should be passed that is unjust or immoral. Rational beings often dispute as to what conduct is moral and just and what is immoral and unjust. And standards vary as civilization advances. I think it may be said that the perfect standard in all political, social, and economic questions is not susceptible of ascertainment with mathematical certainty, or at any rate it must be admitted that what may be moral and just at one period may not be so regarded in another age. Slavery, for the greater part of the history of mankind, has been regarded in many parts of the world as not immoral or unjust. It is to-day in all parts of the civilized world regarded as both unjust and immoral.

An income tax, when first introduced in England and in the United States, was denounced as immoral, inquisitorial, and unjust. There are many persons who believe the State has social functions to perform and who feel that it would be wrong for the State to refuse to collect taxes from estates, particularly where such estates represent property of the value of tens of millions of dollars. The people of Great Britain have rather high standards of morality and public virtue. Indeed there are some students of current history who attribute to the English people the possession of public virtue and civic conscience that measure up to the highest standards. And yet the British impose exceedingly heavy death dues, so heavy indeed that the families of many deceased persons are compelled to part with holdings which have been in their families for centuries in order to meet the estate taxes levied by the Government.

And there are many persons in the United States who believe that it is not only moral and just, but that it is the duty of the Government to impose estate taxes, particularly where some States collect no inheritance taxes and where the estates of many decedents consist largely of tax-exempt securities or of stocks and bonds and various intangible properties, which have almost escaped, if they have not entirely escaped, taxation during the lifetime of the decedents.

Mr. CARAWAY. Let me stop the Senator right there. We should undertake, then, to punish all those who have been honest and paid their taxes in order to reach somebody who has been dishonest. That never was the principle, I think, underlying the liberty and rights of English-speaking people.

Mr. KING. I am merely stating the view of many respectable and patriotic people. They perceive the existence of large estates and have knowledge of the fact that some who accumulated them did not pay a just or fair tax upon their accumulations. And the Senator appreciates the fact, regrettable as it is, that there is much legislation enacted which is oppressive to honest citizens in order to reach vicious and unscrupulous and dishonest persons.

But I am not justifying such legislation and do not support the view that the end justifies the means.

Mr. CARAWAY. We can not afford to lay the hand of taxation upon the innocent in order to reach the guilty. We can not take their property in order to punish somebody who was dishonest with the Government and did not pay his taxes. We can not justify that at all, can we?

Mr. KING. I agree with the Senator.

Mr. CARAWAY. Then let me ask this question——

Mr. KING. I do not, however, admit that the taxing of the property of decedents is unjust or immoral; and I would not, merely to reach property which had escaped taxation while in the hands of the living, establish a taxing system which was unfair or unjust to the people. It is a fact, however, which some people regard as worthy of consideration, when revenue legislation is enacted, that property of great value has escaped taxation. I think it may be conceded that the sentiment in favor of inheritance and estate taxes by the States or the Federal Government, or both, is in part due to the conviction entertained by many people that valuable estates hold large blocks of tax-exempt securities which were so controlled by decedents in their lifetime that they escaped legitimate and proper taxation and the burdens laid upon similar property in the hands of more scrupulous and honest taxpayers.

I repeat I am not defending this position. I am merely stating what I believe to be a fact. But, Mr. President, I believe that the imposition of estate taxes can be justified upon ethical and moral grounds.

Mr. CARAWAY. I hope the Senator, then, will develop that thought, because I am frank to say that I have seen no justification in morals for an estate tax. I should like also to call the Senator's attention to this fact: A corporation which is merely an artificial person created by law, and never dies, never pays an estate tax, but when an individual who is competing with it in business—his estate is compelled to pay an estate tax, which in some States becomes a very great burden. Under what theory do we say that the corporation which is fictitious and never had a soul ought to enjoy under the law a privilege which we deny to every human being that lives within that Commonwealth?

Mr. KING. Modern industrial development is due in part at least to corporate organizations. Corporations have benefited our economic life, but undoubtedly their growth and omnipotent position, particularly in industry, have led some thoughtful persons to the belief that they have wrought more evil than good. But, as the Senator knows, corporations can not exist without people. The legal title to property and the franchise are held by the corporation, but the beneficial use and the equitable title to the property belongs to the stockholders. When a stockholder dies, his holdings in the corporation are subject to the estate or inheritance tax, the same as if the legal title to his share of the corporate holdings were in his name. His certificates of stock are evidences of his right to a share in the corporate property, and it is that interest in the property which is taxed upon his death.

I recall that Mr. Harriman, who was a large stockholder in the Union Pacific Railroad, was taxed in Utah, though he was domiciled in New York. Substantially all of his property

consisted of stocks and bonds of corporations. He paid a large estate tax in New York and nearly $1,000,000 in the State of Utah. The corporation did not pay the tax, but the heirs of Mr. Harriman paid it out of the estate which he accumulated in his lifetime. Perhaps indirectly the corporation paid inheritance tax to Utah because of the dividends which it paid to the estate.

Mr. CARAWAY. Oh, no; the corporation never had a dollar of its property taken to pay an estate tax. We never weaken it at all in the conduct of its business by reason of the estate tax, but we do in many instances destroy, and in every instance very greatly weaken, the estate of the individual who is engaged in a business of the same kind when he dies. There is a very great difference, it strikes me, between levying an estate tax upon a stockholder in a corporation that does not affect the corporation at all, does not diminish its capital, and levying it upon the estate of an individual when he dies and when it is less able to bear the loss.

Mr. KING. Mr. President, there may be some fine or broad distinctions such as indicated by my friend. But I shall not stop to discuss them now. I am departing from the point I was attempting to make when the Senator from Connecticut and the Senator from Arkansas propounded their questions. I may say, however, that there may be some hardships involved in meeting the demands of the Federal and State Governments, resulting from levying taxes upon the property of decedents. However, Congress has extended the time for paying the Federal tax for a period of six years, so that there need be no sacrifice of property to meet the same.

I am unable to see anything unethical, unjust, or immoral in levying taxes upon estates. If it is just and moral to impose an income tax upon a man who toils, I fail to perceive that it is less moral or just to levy a tax upon a gift or bequest or devise from his father or from any other person.

Mr. President, I was stating before the interruptions that the American Farm Bureau Federation contended that the farmer is bearing more than his fair share of the public burden, and that if the estates of decedents were not subjected to taxation, those burdens would be increased.

The Senator from Connecticut [Mr. McLEAN] a moment ago was pleading for the farmers of Iowa; their burdens will be heavier if the Federal tax upon estates is repealed.

Mr. CARAWAY. Mr. President, may I ask the Senator a question right there? Is there any justification for laying an unjust tax upon one person in order that some other class may escape taxation?

Mr. KING. We have heretofore discussed that question and I answer now, as I did then, no.

Mr. CARAWAY. Then that is not a good reason, is it?

Mr. KING. I repeat that we would not be justified in taxing estates to aid the farmers of Iowa or to aid any other class if by so doing an injustice were done to any other class. But I submit that the farmers, as well as others, might be justified in complaining if the property of decedents escaped taxation. I concede that people honestly differ in regard to this matter. There are some Senators as well as others who, upon principle, oppose either the States or the Federal Government levying estate or inheritance taxes. It is a fact that the farmers of the United States are heavily taxed and in many instances their burdens are proportionately greater than those laid upon wealth. The farmer's property is tangible and visible. The tax collectors of the States see it and tax it. Much of the wealth of the rich consists of intangibles and the owners escape taxation.

Mr. WATSON. But the Senator does not mean that the farmers are taxed more heavily for Federal purposes by the Federal Government?

Mr. KING. There is some question about that.

Mr. WATSON. They are taxed as a result of their own local laws, for roads and schoolhouses and all those things that they vote on themselves.

Mr. KING. I understand. The States and their political subdivisions are imposing heavy taxes which will, for the next fiscal year, amount to approximately $6,000,000,000, and the Federal Government will collect revenue amounting to approximately $5,000,000,000.

Under our form of Government the duties of the Federal Government are limited and their responsibilities are not so great as those resting upon the States and their political subdivisions. Purely national matters are cognizable by the States, but all matters relating to the domestic concerns and welfare of the people belong to the States. The great mass of the people are taxed upon their visible property as well as upon intangible property, for the maintenance of State government, and the agriculturalists and the laborers of the United States, whose property can be reached by the tax gatherer, pay a greater tax relatively than the rich, and suffer more from indirect taxation than do those possessing large fortunes.

Mr. WATSON. Does the Senator mean the tariff?

Mr. KING. Yes; I refer to the tariff as a species of indirect taxation.

Mr. WATSON. Of course, the Senator and I are as far apart as the poles on that.

Mr. KING. I have learned that the Senator is as wedded to the tariff as the orthodox Mussulman is to the Koran and with far less reason. However, I shall not be diverted into a discussion of the tariff.

The Farm Bureau declares that death dues are legitimate sources of revenue and should be preserved at their highest degree of usefulness, which this organization insists can only be effected by means of a Federal estate tax. This organization contends that the farming class is more heavily taxed than any other; and I might add that the National Industrial Conference Board in 1922 stated that the ratio of taxes to income for farmers was 16.6 per cent, while that for the remainder of the community was 11.9 per cent. Perhaps one of the compelling reasons leading the farm organization, just referred to, to oppose the repeal of the estate tax is found in the fact, as stated by Dr. Richard T. Ely, that if the present tax tendencies continue, the time will come when the whole annual net return of America's farm lands will be swallowed up in tax payments.

The Bureaus of Agricultural Economics for Ohio and Kansas for the 40-year period 1880–1920 show that farm lands during the period increased in value in Ohio on an average of from $45.97 in 1880 to $113.78 in 1920, whereas the tax per acre increased, in the eight-year period 1913–1921 alone, from 65 cents to $1.15. In Kansas the value per acre increase during the 40-year period was from $10.98 to $62.30. The tax per acre in the eight-year period went from 18 to 46 cents. The percentage of increase in Ohio in the period was 177, and in Kansas 271.

Doctor Ely also refers to the rich agricultural sections in Chester County, Pa., where data collected by the Bureau of Agricultural Economics prove that taxes absorbed 66 per cent of the net rent of all farms rented for cash.

Mr. McKenzie, who is director of research in taxation of the American Farm Bureau Federation, in an address before the Academy of Political Science, New York, April 15, 1924, refers to the dairy farms in Chenango County, N. Y., where the receipts, less business expenses other than taxes, in 1921 amounted to $795 per farm. Land taxes were $161, or 20 per cent of the income. The residue, $634, was to reimburse the farmer for his year's labor, for the labor of his family, and for the use of a capital of $12,943. From this all debts and living expenses must be paid.

Mr. McKenzie states that in Ohio from 1912 to 1915 taxes were 9 per cent of the net income before taxes; in 1920 they were 15 per cent; in Oregon they were 33 per cent in 1921. In one group of farms examined in Pharsalia township, Chenango County, N. Y., taxes averaged 3.4 per cent of the actual value of the property.

The farm bureau declares that the inheritance tax, technically, is an income tax; and Professor Seligman, who, the Senator from Connecticut [Mr. McLEAN] says, is opposed to estate taxes, declares:

> So far as the recipient of an inheritance is concerned, the accretion to his capital wealth through an inheritance is just as much income in the broader sense of the term as that which comes from any other source.

It is contended by the bureau that it is also a tax upon unearned income.

The views of Doctor Adams upon this subject should be given consideration. He has, as Senators know, aided in drafting revenue legislation and was one of the leading experts in and advisers of the Treasury Department for several years.

He says:

> The death duty is assigned to raise money, but to raise it from persons who have not earned it. In my opinion, the death duty is popular as a form of taxation primarily because it lays the tax on so-called unearned wealth. When we tax the farmer on his farm, the manufacturer on his plant, equipment, and materials, the public utility on its entire property, * * * we are taxing the people who not only do the work but who risk their time and capital. But it involves no great risk to receive a legacy or inheritance.

The bureau further justifies estate taxes because, with respect to large estates, property is reached which has not contributed fairly to the Government during the lifetime of the decedent. This view is maintained because in nearly all large estates it is shown that intangibles predominate, and this class

of property has not been adequately taxed. It has escaped State and Federal taxes to a very large degree. It is, therefore, argued that it is only just that upon the death of the decedent it should be reached by the Government for tax purposes.

The bureau admits that taxing estates has a social effect, but denies that it is socialism, or that it is in the direction of socialism; and reference is made to what is familiar to all students of taxation, that nearly exery tax reform has been branded as socialistic. The income tax was denounced as socialistic, and after it was adopted its opponents insisted that it be a proportionate tax and not a graduated income tax.

After the Supreme Court decided that the income tax provisions of the Wilson bill were unconstitutional the Democratic Party urged an amendment to the Constitution providing for the taxing of incomes. They made this matter a political issue in a number of campaigns and finally won the fight. I do not believe any considerable number of the American people to-day favor the repeal of the income tax.

Of course, Mr. President, all taxation has a social effect. That may be true of direct taxes as well as indirect taxes. Indeed, the greater part of State taxes are designed to affect social conditions. The percentage devoted to education, scientific improvement of health conditions, relieving the indigent, and so forth, falls within this category. The Federal Governernment spends tens of millions annually to improve highways, to establish and maintain quarantine regulations, and to maintain the Public Health Service, whose activities extend to all parts of our country. It provides pensions for many of its employees, and taxes the people in order to make large contributions for vocational training and to agricultural colleges in the various States.

The bureau refers to Doctor Adams, who states:

> We live and work under an industrial and commercial system which combines marvelous productivity with extreme concentration in the ownership and control—particularly in the control—of wealth. Politically the major forces at work make for equality. Commercially the greater forces make for concentration and inequality of power. The two forces—democracy and capitalism—are irreconcilable without some corrective machinery, such as progressive taxes. * * * The fortunate, the successful, the wealthy must make special contributions to the State under which and because of which they enjoy success and wealth. Such, roughly, are my reasons for the belief that progressive income and inheritance taxes are here to stay.

The bureau while admitting that the inheritance tax is primarily a State tax, still declares that the growth of large fortunes is due to the entire American public, and for that and other reasons, Federal death dues are warranted and proper. It is also contended that the States alone can not preserve this tax to a high degree of usefulness, or as a permanent source of revenue. It also shows the significance of the fact that those who are opposing the inheritance tax in any form are the strongest advocates of the abolition of the Federal tax. In support of this view, Doctor Adams says:

> Such persons desire to see the Federal estate tax abolished in order that the State death tax may be whittled down by interstate competition. They expect Florida, Alabama, and the District of Columbia, by offering isles of refuge to the retired rich, to discredit the State inheritance tax in the long run or to hold it within very narrow limits.

After referring to the fact that one of the Congressmen from a rich and powerful State opposed the tax, Doctor Seligman said:

> That is the line-up, as it always has been and always will be in this country and in every country, between those who, in Federal and other legislation, look primarily, as they are entitled to do, to the interest of big business * * * as against those who look primarily at the interests of the common man, as they also have the right to do.

Because of the recognized ability and high standing of Doctor Seligman as a political economist and an authority upon taxation, I desire to read a few paragraphs from his testimony before the Committee on Ways and Means of the House of Representatives, given in October of last year. On page 477 of the hearings Doctor Seligman said:

> One of the arguments for the withdrawal of the Federal Government, for which I think certain members of the Treasury at all events stand, seems to me to be doubtful, because if that argument were pursued to the extreme it would mean the abolition of all estate taxes, Federal and State as well.
>
> I am referring to the objection that was made, I think, before your committee a few days ago that an estate tax is in itself wrong; that it is not democratic; that it is a tax on capital; that it is, therefore, going to destroy the goose that lays the golden eggs.
>
> And yet all know, as a matter of fact, that if that argument were true, all of our States would have to abolish estate taxes or the inheritance tax. In other words, some of the arguments at least that have been propounded in order to induce the Federal Government to relinquish the estate tax go too far, because they would mean no inheritance tax at all.
>
> I need not point out to you that that is an erroneous point of view, both theoretically and practically. As estate tax is the result of one of the modern democratic movements in the world, it is found wherever we have democracy. It was introduced first in Australia, then in Switzerland, then in England, then it came to this country. Wherever we have democracy we have two things—an income tax and an inheritance tax. The arguments in favor of one are just about as good as the arguments in favor of the other.
>
> There are two kinds of taxes on capital. One kind is a tax levied according to capital, but which is paid out of the income of the capital. The other kind is a tax like the capital levy that they are talking about in France to-day and have in Italy, which is a tax not alone levied according to capital but supposed to be paid out of capital. Our estate duty is really neither of one nor the other. It is not a capital levy, and it is not paid out of capital. A proper kind of inheritance tax, which is not so high as to take all of an estate or the greater part of it, will usually be paid out of the income of the estate. We have five years in which to pay it in this country; in some countries the period is even longer. If you look at the statistics carefully you will find that the tax on all the estates in this country constitutes only a small part of the income from those estates during those years. * * * In the second place, the argument that it is a tax on capital, through which you are going to kill the goose that lays the golden eggs, is erroneous, because it assumes that all governmental expenditure is unproductive. The argument is based on the idea that the capital taken from the taxpayer is destroyed.

Professor Seligman then shows that with the revenue derived by the Federal Government roads are built, the Panama Canal is constructed, and other activities are engaged in which do not destroy capital but merely shift it from the taxpayers' hands into other forms for the benefit of the people.

I recur to the statements made during this debate that estate taxes are taxes upon capital.

Some who oppose estate taxes contend that such a tax has its justification only in socialism; that it is a capital levy, and therefore obnoxious to any economic system. That argument has been made from the beginning. It has had its effect and it is still the contention with many. It may be said that technically all taxes are capital levies. If the corpus is not taken, the income derived from it is taken, and if there is no income, the property itself becomes subject to seizure and sale.

There are hundreds of millions of dollars in property within the United States which yield no income. There are houses which are vacant, lands which are unoccupied, stocks and bonds which yield no return, personal property which is unproductive, and yet such property is taxed. Incomes derived by individuals constitute property and come within the class of property subject to the same production as any form of property, real or personal. Many railroads have been unable from their earnings to meet fixed charges or to pay dividends, but nevertheless have been compelled to pay enormous taxes to States, counties, and various political subdivisions. In a sense, the taxing of these railroads was a capital levy and a transfer of the property from the owners to the State, but the State devoted a portion of the revenue thus derived to the construction of roads and bridges and the erection of schoolhouses and public buildings. In other words, there was merely a transfer of capital from one owner to another, but no destruction of the same.

The Federal Government has for a number of years been imposing capital-stock taxes upon corporations, many of which have no net income. Indeed, there were many which were unable, except by borrowing, to meet the taxes imposed both by the Federal Government and by the States. These taxes were levies upon capital. Nevertheless they are justified and have been regarded as not unjust or oppressive.

My recollection is that for the year 1923 approximately 400,000 corporations paid a capital-stock tax, but 165,594 reported that they had made no profits. They had property in various States, tangible as well as intangible, and were compelled to pay taxes in the various States where their property was located, though they had no net income. In many instances they were compelled to borrow money to pay the Federal tax as well as the taxes imposed by the State. In a sense these taxes were levies upon capital.

Of course, no perfect system of taxation is possible. There always will be some injustices and inequalities. Even where the basis of taxation rests upon ability to pay, inequalities and injustices, oftentimes of a serious character, will ensue.

I repeat that all taxation affects capital, and capital is only accumulated income or savings. It is important that there

be good government, with wise and sound economic policies. It is essential that labor be rewarded and accumulations effected. In order to insure good government and to protect and preserve individuals in their right to labor to own and to accumulate the State must be preserved, wise laws must be enacted, and machinery established for their enforcement. It is imperative, therefore, that contributions be made to the State. These contributions are taxes, not voluntarily paid but paid under the compulsion of the law. It is therefore necessary that property be taken and its ownership transferred from the individual to the State.

The expenditures of the Government, if wisely made, aid the taxpayer in securing higher wages, better surroundings, more favorable conditions, from all of which his income will be augmented and his accumulations or his capital increased. The Government builds ships, navy yards, harbor improvements, levees upon the Mississippi River, reclamation projects, lighthouses, public buildings, and so forth. These are built from capital taken from the people, so that it is only a change of capital from one form to another and from one source to another.

Even in death duties adversely affect accumulations, and even more so than by other taxes they may have effect upon the national well-being which will bring results of the highest value. Accumulation is not the only thing to be considered by the State. It has been contended by many economists and political writers that the accumulation of capital may be detrimental, particularly if in the hands of a few. That was true in Rome, it was true in the medieval ages, and it will be true in any country or under any political system.

Mr. President, the recent mergers of giant organizations has provoked some little agitation and has caused some persons to fear the results of this stupendous massing of capital. In this morning's newspapers we find a number of New York capitalists apologizing and defending these centralizing capitalistic movements. They affirm with great earnestness and with many pious protestations that these great aggregations of wealth are sure to result in economies and prove beneficial to the country. I do not believe that, generally speaking, these stupendous organizations will affect permanent economies, but, even if they did, in my opinion the existence of these organizations will prove injurious to the social organism and prove a menace to our economic and political life.

The destruction of the small enterprise, the obliteration from our economic and industrial fields of active and ambitious individuals engaged in business enterprises in order that gigantic industrial organizations shall take their place, is not only a pathetic picture but a certain indication that our business and economic condition is in unhealthy state from which most serious consequences will follow.

Wealth in the hands of a few means power, economic and political, and that power will be exerted not only for the protection of wealth, but to give it advantages and privileges not enjoyed by the mass of the people. Political and civil liberty are the concomitants of industrial and economic liberty. If the sources of production and distribution are controlled by a few, political freedom will be impaired and in time destroyed. A dangerous condition exists in our business life to-day, resulting from the misuse of credits by large banking institutions and the devotion of these credits and the resources of our financial institutions to speculative stock movements, to the reorganization of business enterprises, and the consolidation of many corporations. Individual initiative is lost, private business is destroyed, and powerful but shadowy figures in the background control industries and collossal mergers through holding the voting stock, though the public are the holders of various classes of other kind of stock.

Enormous profits are made by banks and brokers and promoters, and the deposits in the banks and the prestige and power of the banks are employed in giving fictitious values to stocks and bonds which by adroit and cunning advertisements and extensive propaganda are unloaded upon too often weak and gullible and thoughtless people. Stocks and bonds are bought on margins, and the banks and brokers soon find themselves in possession of the securities, only to be resold and resold again, the public being led to the slaughter for the delectation and enrichment of sordid and selfish and often currupt and dishonest promoters and speculators.

Mr. President, political and economic conditions which develop centripetal forces, under which there are accumulations of capital in the hands of a few, will destroy democracy and produce socialism or autocracy. If this Republic adopts unwise political and economic policies, if it permits selfish and predatory interests to affect legislation and formulate policies, it will provoke social unrest, encourage socialism and communism, and weaken the foundations of our social and political structure.

In my opinion, it is a fallacy to assume that capital is destroyed by estate taxes. If an estate is taxed and the tax is paid by the sale of a house or other property, and the individual who pays for it does so by selling shares of stock to a third person having savings which he seeks to invest, it is obvious that there is no destruction of capital in these transactions. And if the Government uses the tax collected from an estate or from individuals to build houses, there is a transfer of capital only, not a destruction of it.

Gladstone contended that if death duties were applied to the payment of the national debt, there was no loss of capital. The state, that is, the people comprising it, have, in government debt, a liability which is a capital charge. A government which has bonds outstanding may take the taxes derived from the estates of decedents and redeem its outstanding bonds which are held as capital by individuals. It can be argued that if government expenses are not paid by death dues, then some other method must be provided. If they are not paid by death dues on the estates of the wealthy, those of moderate means and whose incomes are not large will be compelled to pay heavier taxes and thus be prevented from saving or from entering new fields of investment or capital development. And if the poor are compelled to pay additional taxes, it will reduce the expenditures for consumption and react on the productive capacity of the laborer and reduce the total industry dividend, and therefore diminish the wealth of the country.

Professor Stamp in his work on taxation says:

> There is no proof that the immediate effect of taking revenue as death duties reduces immediately potential fixed capital more than an income tax which may equally trench upon potential savings.

Professor Seligman referred to the construction of the Panama Canal. There was a capital investment of nearly $500,000,000 paid from the taxes levied upon the people; in part, from estate taxes. There was no destruction of property but a transfer from one form to another and from many owners to one owner. An estate pays a large tax to the Federal Government or to the State government, and a public building, such as a post office for some city, or a schoolhouse, is erected. There is no destruction of capital, but merely a transfer for a public use and for a public benefit of property from the many to the Government. And both the schoolhouse and the post office are the people's property and for their use, so that these transfers often are of immense social and economic advantage to the people.

Mr. COPELAND. Mr. President, may I interrupt the Senator?

The PRESIDING OFFICER (Mr. HEFLIN in the chair). Does the Senator from Utah yield to the Senator from New York?

Mr. KING. Certainly.

Mr. COPELAND. Is it not true that a great many times an estate is built up not alone through the efforts of the man who is the head of the house, but through the joint efforts of the husband and wife, and perhaps of the children? I confess I can not follow the arguments laid down so many times with reference to the imposition of the inheritance tax, because to me it seems little short of immoral and indecent to make an attack on the widow at the time of her mourning and say, "Now, your husband, your natural protector, is dead, and we are going to take away a part of your property."

Mr. KING. The Senator, then, is opposed to estate or inheritance taxes being levied by the States?

Mr. COPELAND. I am.

Mr. KING. The Senator is not alone in that position. I have referred to the New York Evening Post and the attitude of a number of rich people who believe that the accumulations of a person in his lifetime should not be taxed upon his death. Some think it is illegal; others that it is immoral and unjust. With due respect to these views, I believe that inheritance taxes and estate taxes, in one form or another, will continue to be levied in all civilized and progressive countries. I confess that where there is a dual form of Government such as we have in the United States the application of the principle of inheritance and estate taxes presents some difficulty, or at any rate it calls for the exercise of the utmost wisdom, and, if I may use the word, considerable technique, in order that no injustice may be done and that due recognition of the rights of the sovereign States, as well as the National Government, may be accorded.

The objection urged by the Senator, that the widow and perhaps the children have aided in saving and in accumulating the estate may be made against the imposition of any taxes,

but incomes are not immune from taxation because of the service of the wife or of the children. All of the States, where estate or inheritance taxes are laid, exempt a considerable amount from taxation. The same with the Federal Government. The taxes in the aggregate levied upon estates are not sufficient to materially reduce them.

Mr. COPELAND. One more suggestion. The other day I used the illustration of the Ford fortune. If Mr. Ford was to die, under laws which have prevailed, 40 per cent would be confiscated by the State.

Mr. KING. I do not agree with the Senator's statement. If he refers to the Federal tax, the amount paid would be less than 18 per cent, because if the maximum upon the estate in the highest bracket may be 40 per cent does not prove that the aggregate tax is 40 per cent. As the Senator knows after a liberal exemption the tax is laid progressively from 1 up to 40 per cent, so that the tax upon the entire estate would be, as I have stated, very much below the maximum figure. Neither do I agree with the Senator that an estate tax is confiscation.

I have discussed the proposition that inheritance and estate taxes are not confiscatory, neither are they a levy upon capital. I repudiate the view that the collection of taxes for the building of roads and schoolhouses, and the conservation of public health, and the execution of the various duties devolved upon the States and upon the Federal Government, is to be regarded as the confiscation of property. In order to obtain the benefits of good government, taxes must be collected, and with greater social needs, incident to our complex social and industrial condition, the larger are the contributions, in the way of taxes, that will have to be paid by the citizens of civilized states.

Mr. COPELAND. Then, if within six months Mrs. Ford were to die, 40 per cent of the remaining 60 per cent would be confiscated by the State, which would be 24 per cent more of the original estate, or a total of 64 per cent, which would leave 36 per cent. Then if Mr. Ford's son should die within the same year, another 40 per cent would be taken away, which would leave less than 25 per cent of the original estate intact.

If I understand the Ford enterprises, all this great fortune is invested in a business which necessitates such funds as Mr. Ford possesses, and if these calamities were to happen, and they are conceivable, it would mean that the Government would confiscate 75 or 76 per cent of the Ford estate, and the Ford business would be ruined. Out of that business has come convenience to the public in the way of cheap cars and tractors; and more than that, Mr. Ford has demonstrated how labor can be decently treated and has chosen to give labor decent treatment. Of course that is an extreme case, yet after all I feel it is an argument in favor of the wiping out of the idea of the inheritance tax.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. KING. Certainly.

Mr. LENROOT. In the first place, the taxes upon the estate would not be 40 per cent. There is no estate, even under the present law, which pays anything like 40 per cent or one-half that much.

Mr. COPELAND. But it has been as high as that.

Mr. LENROOT. It would be 40 per cent only in the highest brackets.

Mr. KING. It would be less than 20 per cent.

Mr. LENROOT. On the Ford estate it would be between 20 and 25 per cent. The earnings of the Ford plant during the five years which they have in which to pay it would pay every dollar of the Federal tax without touching one dollar of the principal investment.

Mr. COPELAND. It is all very well to say the earnings would be there. I doubt exceedingly if Mr. Ford and his son were taken away whether there would be any earnings at all.

Mr. KING. If the Senator from New York desires to continue his eulogy of Mr. Ford and his business methods, I hope he will do so in his own time. I have been interrupted so frequently by Senators that any continuous treatment of a point or subject is impossible and a retracing of ground already discussed is made inevitable.

Mr. COPELAND. Let me say in closing to my friend from Utah that I am opposed on principle to the idea of an inheritance tax.

Mr. KING. As I have stated, the Senator belongs to the group that is attacking the levying of estate taxes in any form or by any jurisdiction. His position is not in keeping with modern and progressive and what I regard as rational and just tax policies. As Doctor Seligman has stated, both income and inheritance taxes are products of democracy and are applied in democratic countries. The rich, and particularly those with enormous fortunes, have usually opposed taxes upon their incomes or their property. They have preferred excise taxes in various forms, sales taxes and indirect taxes which fell most heavily upon the poor. Property was more sacred than human life and more important than social and human needs, but as the sun of liberty advanced, archaic forms and policies were burned away.

We now, while protecting property and having due regard for vested rights, are seeking juster principles of government, the application of nobler and higher ideals in our civil polity and in our social relations. We see enormous fortunes produced almost overnight, in part due to stable and free government, and because the arm of protection is thrown around the strong as well as the weak. And men of vision and of probity and with a desire to promote justice and liberty, seek the enactment of laws which will compel all classes to bear a just and fair share of the burdens of government.

And so the political economists of the day and the most enlightened thinkers of our time advocate estate taxes, income taxes, and taxes upon the net incomes of great corporations, believing as they do that the principle of ability to pay is most effectively recognized in the enactment of measures of this kind.

Mr. COPELAND. I am sure the Senator will yield again for a moment?

Mr. KING. I yield.

Mr. COPELAND. I want the Senator to know that I am not following the lead of the New York Evening Post.

Mr. KING. Oh, I know the Senator is not doing that, of course.

Mr. COPELAND. The greatest handicap I had in my campaign when I ran for the Senate was that the Post was for me. I never was able to explain it satisfactorily.

Mr. KING. Of course the Senator is following his own view. I attribute to him the utmost sincerity in his opposition to all forms of taxation of estates.

Mr. COPELAND. Mr. President, will the Senator yield again?

Mr. KING. Yes; I yield to my friend from New York.

Mr. COPELAND. I would not want to leave a wrong impression in the mind of the Senator. When the man is alive and when his estate is enormous and the income great, I will go as far as the Senator will in levying a just tax, a graduated tax, a tax which measures up to the tremendous income of the man. On this account I assume I am with the Senator in the thought that in the higher brackets we have not gone as far as we should.

Mr. KING. The Senator, if I understand him, thinks that in the income tax provisions of the pending bill, the maximum ought to have been more than 20 per cent. I was in favor of a maximum of 25 per cent reaching the highest bracket where incomes were in excess of $500,000.

Mr. COPELAND. I do not think the bill which is pending here is a perfect bill by any means, because it does not go far enough in the taxation of those who come within the higher brackets. That is what I mean. I will go with the Senator on that matter, but when it comes to the confiscation of property from an estate after a man has died, I am not with him.

Mr. KING. The Senator does not regard it as confiscation to tax incomes and property, whether productive or unproductive, during the lifetime of the owner, but regards it as an indefensible and meretricious act to tax property after his death. It is not unethical or unjust, measured by the standard which the Senator adopts, to tax incomes of individuals, though in so doing it may be an encroachment upon capital, and may in some instances, to use the Senator's expression, be confiscatory.

The Senator knows that there are many instances in which the regular State and Federal taxes, exclusive of inheritance or estate taxes, have compelled the sale of property and brought almost irretrievable financial ruin to the owners of the same. There is nothing improper in that in the Senator's view. But if a man accumulates fifty or one hundred million dollars, then upon his death the property becomes so sacred that those to whom it is devised or bequeathed may not be required to pay any portion of the same or the income derived therefrom as estate or inheritance taxes. The property is not sacred in the life of the owner, but upon his death it acquires a higher moral and legal status.

Mr. CARAWAY. Mr. President, may I ask the Senator from Utah a question?

The PRESIDING OFFICER. Does the Senator from Utah yield?

Mr. KING. Yes.

Mr. CARAWAY. The property has paid its taxes while it was in the hands of the living, has it not? That is the theory of the law.

Mr. KING. Perhaps the owner of the property paid a full and fair tax upon the same during his lifetime. We know that some estates escaped a full tax during the owners' lifetime.

In regard to the theory of the law mentioned by the Senator, I do not quite understand how the acceptance of that theory justifies or compels the removal of estates of decedents from the realm of taxation or the application of inheritance tax laws.

Mr. CARAWAY. But so far as this argument is concerned, we will concede that it has paid the tax, and had the man lived he would have paid no additional tax, except the tax levied on all other property at the same time. Does the Senator from Utah see no difference between earned income and an estate bequeathed by the ancestors to the heirs?

Mr. KING. The owner of the property, by paying a tax one year, was not relieved from paying the following year. In other words, property is subject to repeated taxations. An individual may pay taxes upon property for years which is unproductive. Suddenly it becomes productive and he is taxed upon the property which has been repeatedly taxed, as well as upon the income.

The devisee or legatee of property has never paid tax upon it. It is to the heir an unearned increment. I am not subtle enough to comprehend why, because it was taxed in the hands of the decedent, it should not be taxed in the hands of the devisee or legatee.

Mr. CARAWAY. Let me ask the Senator a question. Of course if the ancestor had paid the last dollar that had been assessed against him on the day before he died, and then died, the property would be taxed, then in the hands of the heirs the beneficiary, not because there had been any accession of wealth but because by the hand of death the ownership had been transferred from one individual to another. It is the same property that has paid its taxes, is it not?

Mr. KING. Under the Senator's statement, the usual and ordinary taxes were paid.

Mr. CARAWAY. Yes, and in the hands of the heir at the next annual tax-paying time it will pay taxes again; but the only contention is—and I can see the Senator's viewpoint—that merely because the ancestor died the State ought to take a part of his accumulations. It is the old theory under feudalism that at the death of the individual all the property became the property of the king, and it went out again as a new obligation to the one who received it.

Mr. KING. Suppose the decedent had died the day before the taxes upon his property were due. It could not be argued that the rightfulness or morality of an estate tax would depend upon that condition. It would be absurd to say that in a case of this kind an estate tax could be justified, but if he had paid his taxes the day before his death, his estate would not be subject to estate taxes.

But, Mr. President, I have consumed too much time in discussing these points. I can only say that in my opinion I see nothing illegal or immoral in subjecting the estates of individuals to the payment of inheritance or estate taxes. I regard an estate tax as entirely proper and believe that the estates of rich men owe something to the State.

Mr. CARAWAY. I am not disputing that.

Mr. KING. And therefore an estate tax is proper.

Mr. CARAWAY. I am not merely trying to wrangle with the Senator about it.

Mr. KING. I know the Senator is not. I respect his point of view, of course. As I have heretofore said, in 1918 I stated in substance that, except in rather unusual conditions, the Federal Government should not tax estates, but that if the States do not, then the Federal Government would.

Mr. CARAWAY. I have not any objection to the State itself levying an estate tax. It is within the province of the State to determine that.

Mr. KING. But I thought the Senator from Arkansas was opposed to any form of taxation upon estates.

Mr. CARAWAY. I have said that I am not opposed to that, but I do not see the wisdom upon which it rests. However, that is not the question that we have here. We are not concerned here with what the State should do. I did not intend to put myself in that position; but I am opposed to the Federal Government levying a tax for still another reason. I do not wish to take the Senator's time; but, in the first place, I have observed the tendency when the Federal Government enters the field of taxation to exploit it for every penny it can bear. The State has to do wholly with the question of the descent and distribution of estates. There is not any activity that the Federal Government can exercise in that behalf. There is not any justification, therefore, for it levying an excise tax on something over which it has no control and over which it exercises no authority.

The States need the revenue; the Federal Government takes it; and the more revenue the Federal Government collects the more extravagant it becomes. Everybody knows that the Federal Government is now expending at least a billion dollars a year that it has no justification to expend. The more easily it can accumulate money the more extravagant it grows; and the estate tax is a tax that it can exploit for hundreds of millions of dollars, robbing the States of a source of revenue and encouraging extravagance and exploitation by the Federal Government.

Mr. MOSES. Mr. President, may I ask the Senator from Utah a question?

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from New Hampshire?

Mr. KING. Yes.

Mr. MOSES. I understood the Senator from Utah a few minutes ago to say that in 1918 he argued against the Federal estate tax.

Mr. KING. I stated in substance that the Federal Government had the right to tax estates and that there were many conditions under which it should avail itself of that source of revenue, but that with increasing obligations of the States I should be glad, so far as possible, to see this field of taxation left open to the State. I stated, however, at that time, that if the States failed to avail themselves of it, or if the systems which they adopted produced great inequalities and injustices, and particularly if some States refused to impose estate or inheritance taxes, the Federal Government would undoubtedly resort to the estates of decedents for a portion of its revenue.

Mr. MOSES. Mr. President, I have no desire whatever to say that the Federal Government has not a right to impose an estate tax, but I share the early opinion expressed by the Senator from Utah, that this particular tax should be left to the States. What interests me is to learn the process of reasoning whereby the Senator from Utah has departed from the attitude which he assumed in 1918.

If I correctly understood the Senator, he felt that the estate tax should be left to the States as a proper source of revenue for the States, but if the States did not undertake to secure their revenue from this source of taxation, then the Federal Government should step in. My understanding is that all the States except a few have some form or other of estate tax. Where, therefore, does the Senator from Utah base his contention that the Federal estate tax should be retained?

Mr. KING. Mr. President, I have not changed my position in this matter. I regarded it as proper to impose estate taxes during the war, and, as I have stated in the course of these remarks, we have a war indebtedness of $20,000,000,000, which must be paid. Many individuals accumulated enormous fortunes during the war and some have left large estates, and others will pass away leaving enormous holdings in part due to the war. There is justification for the Federal Government taxing these estates, as well as all other estates, in a reasonable amount, at least until the war debt has been materially reduced. Moreover—and I am repeating what I have said a number of times—the States have availed themselves to a limited degree only of death dues as a source of revenue.

Notwithstanding the heavy burdens resting upon the States, and they are owing $14,000,000,000, represented by bonds, they have collected but a few million dollars annually from estates and as inheritance taxes, and a disposition is manifested by some States to lower the taxes derived from estates or to not tax them at all.

In 1916 the States collected but $30,000,000 from estate and inheritance taxes. Alabama, Florida, Mississippi, New Mexico, and South Carolina and the District of Columbia obtained no revenue from this source. Arizona collected but a little more than $7,000; Delaware, $11,000; Idaho, $5,000; Kansas, $64,000; Nevada, $3,000; North Carolina, $30,000; Oklahoma, $13,000; and Oregon, $87,000. New York, which collected more than one-fifth of the total of all the States, obtained but $6,457,000. There has been an increase in the revenues derived by the States since 1916, and in 1923, $75,000,000 was collected from this source.

I have before me a table showing the percentage of total State revenue receipts obtained from inheritance and estate taxes for the year 1922. It shows, for instance, that Maine's percentage was 4.32; New Hampshire, 7.79; New York, 11.46; and New Jersey, 9.72. The average of the east North Central States, namely, Ohio, Indiana, Illinois, Michigan, and Wisconsin, was 3.52 per cent; the west North Central States, consisting of Minnesota, Iowa, Missouri, North Dakota, South Dakota,

Nebraska, and Kansas, gave an average of 2.35 per cent; the South Atlantic States, 2.49 per cent; the east South Central States, 1.23 per cent; and the west South Central States, consisting of Arkansas, Oklahoma, Louisiana, and Texas, 1.6 per cent; the Texas percentage being thirty-nine one-hundredths of 1 per cent, and Oklahoma five-tenths of 1 per cent. The Mountain States, eight in number, gave an average of 1.39 per cent, and the Pacific Coast States 6.92 per cent.

An examination of the laws of the various States shows how incongruous they are, and to what extent inequalities and injustices result because of the overlapping and duplicating methods and policies and also arising from the multiform methods of taxing intangibles.

A meeting of the National Tax Association was held in St. Louis in 1924 and a resolution was there adopted recommending that the association take steps to hold a conference at which representatives of the States and the Federal Government should be present to consider the problems of estate and inheritance taxation. Accordingly, a conference was held in Washington in February, 1925, at which were present representatives of the various States and a number of Congressmen, as well as publicists and political economists versed in the subject of taxation. There were also representatives of the Treasury Department who are familiar with our revenue laws.

At the conclusion of the conference resolutions were adopted referring to the inequality and injustice in death taxation arising from the ill-balanced and illogical State and Federal death tax structure. One of the resolutions reclared it imperative that—

death tax laws be so changed as to result in a rational tax system and which will do away with the abuses which tend to bring this system of taxation into disrepute.

A committee of able tax experts was appointed to gather information and study the question and report its conclusions. Mr. Frederic A. Delano, of Washington, was appointed chairman of this committee.

After an exhaustive examination of the subject, the committee submitted the following conclusions:

1. Inheritance taxes should be substantially uniform throughout the United States.

2. Inheritance tax laws and rates should be stable.

3. Inheritance-tax rates should be moderate.

4. Legislation should be enacted during the next session of Congress providing for repeal of the Federal estate tax, to take effect six years from the date of the passage of the repealing act.

5. The rate structure of the present Federal estate tax should be immediately revised downward.

6. The credit provision of the present law should be extended to allow a credit of all inheritance taxes paid to the several States up to 80 per cent of the Federal tax.

7. The Federal gift tax should be abolished.

8. Substitution by the States of estate tax laws for the succession tax laws now generally employed by the States is desirable.

9. Multiple taxation of the same property by States should be abandoned.

10. Intangible personal property should be taxed only by the State of domicile of the decedent.

Senators will perceive that the committee does not favor the repeal of the Federal estate tax law at the present time. Reference is made to the injustices resulting from multiple taxation of the same property by the States, and the committee refers to the conflicting views in respect to the situs of property for taxation and charge that this has led to "abuses which have become almost insufferable." The report says that every State which has an inheritance tax law undertakes to tax all of the intangible property of its resident decedents, and the great majority of the States, in addition, impose a tax on intangible property belonging to nonresident decedents where the property is located in the States. Thirty-six States impose a tax on corporations chartered by them, although the stock is owned by a nonresident decedent; and 11 States impose taxes upon the transfer of stock owned by nonresident decedents if the corporation has property within its borders, notwithstanding it be incorporated in another State. Sixteen States impose taxes upon stock owned by nonresident decedents, though the corporation is a foreign one, providing the certificate of stock happens to be physically located in the State at the time of death.

If time permitted, I would further discuss these inequalities and the injustices resulting from the present estate and inheritance tax systems.

These are some of the reasons why I am unwilling to vote for the repeal of the present Federal estate tax law. Moreover, as Doctor Seligman has pointed out and as I have shown, a number of the States to encourage migration are either abolishing estate taxes or declare that there will be no estate or inheritance taxes in the future. It is worthy of consideration also that there are approximately $14,000,000,000 of tax-exempt State and municipal securities now outstanding and $20,000,000,000 Federal securities, a portion of which are tax exempt. Doctor Seligman declares that by Federal estate tax these tax-exempt securities may be made to make some contribution to the Federal Government. He further adds that—

If there were no other reasons for a Federal estate tax, this would be sufficient, namely, to secure justice as between man and man, not to have one man taxed two, three, and four times, because if he invests in German and French and Italian bonds he would be taxed here upon his own estate, and then again in Italy, again in Germany, and again in France.

Without expressing approval of or dissent from the view of Doctor Seligman, I read a further sentence from his testimony before the hearings before the Committee on Ways and Means:

By reaching the tax exempts you will help to stem this very dangerous and swift tide toward what I fear is social disintegration in this country.

Returning to the question of the Senator from New Hampshire, I will say that I supported in 1918 the Federal estate tax because of the necessities of the Government, as well as for other reasons.

Mr. MOSES. As a war necessity?

Mr. KING. Not alone as a war necessity, but that was the paramount reason why I supported it at that time.

Mr. MOSES. Yes; but, Mr. President, we have now reduced the Federal expenses something like $2,000,000,000 a year. Why, therefore, should we not remit to the States their proper source of revenue, namely, the estate tax, as the Senator contends is proper?

Mr. KING. I did not say, or at least I did not mean to say, that conditions do not now exist to justify the continuance of this tax.

Mr. MOSES. What are those conditions, may I ask the Senator?

Mr. KING. I have given a number of reasons which I think answer the Senator's question. I have referred to the lack of uniformity in the State inheritance laws; the inequalities which exist in the various statutes; the fact that a number of States and the District of Columbia impose no death dues at all; the fact that billions of tax-exempt securities are escaping taxation except through estate taxes; the fact that the Government owes $20,000,000,000 resulting from the war——

Mr. MOSES. For which perfect provision has been made.

Mr. KING. The Senator evidently refers to the sinking-fund provisions of existing law, but it is one thing to provide by legislative fiat for a sinking fund and an entirely different matter to collect revenue to meet the obligation. We are making provision in the pending bill to meet the Government expenses and to provide for the sinking fund by imposing heavy burdens upon the people. And the Senate is now trying to increase the burdens upon the mass of the people by relieving large estates from paying taxes to the Federal Government.

Let us take off excise taxes; taxes upon automobiles and admission dues. When we have reduced the taxes to proper limits and have materially diminished our war debt, and when the States signify a desire to utilize inheritance taxes and estate taxes as an important source of revenue and enact laws that will accomplish that result, laws which operate justly and according to moral and legal standards of equality, then I shall look with favor upon the repeal of Federal estate taxes.

Mr. MOSES. Mr. President, the Senator from Utah is a member of the Committee on Finance and a very diligent member of that committee, as he is of every committee of which he is a member. Can he tell me or tell the Senate or the country whether he has any information to the effect that under the taxes as now proposed in this measure, even if he could strike from the bill those burdensome and nuisancelike excise taxes to which he refers, there would not still be sufficient revenue to support the Government?

Mr. KING. In my opinion, with proper economies, we can repeal all these excise taxes, also the capital-stock tax, and then there would be sufficient revenue to meet the expenses for the next fiscal year, and that without increasing the corporate-profits tax from 12½ to 13½ per cent.

Mr. MOSES. Without reference to what the Senator describes as proper economies—and I do not know exactly what he means by "proper economies"——

Mr. KING. The President, as I recall, used those words. I admit, however, that what the President regards as "proper

economies" would not answer my definition. In my opinion, the Budget which he has submitted with his approval recommends considerably more than $150,000,000 in excess of what should be appropriated.

Mr. MOSES. Without reference to any essential change in personnel or extent of governmental machinery, is it not our constant experience that there comes in to the Treasury every year a much larger sum of money than any of the experts have ever estimated?

Mr. KING. It is a fact that for a number of years last past the Treasury received hundreds of millions of dollars from the sales of unused war supplies; and the yield from corporate and income taxes, as well as from customs duties, exceeded the estimates of the Treasury experts.

Mr. MOSES. Is that not because, may I say to the Senator without attempting to inject anything which may seem to be partisan—is that not because——

Mr. KING. I say no in advance, because knowing the ratiocinations of the Senator's mind, I perceive the end of his question. It is not because of the wisdom of Republican legislation, or the economy of the Republican administration.

Mr. MOSES. But is it not because of the advance in prosperity of the country under the Republican administration? [Laughter.]

Mr. CARAWAY. Mr. President, may I ask the Senator from Utah a question? Of course he does not want to answer a question like that of the Senator from New Hampshire, which answers itself.

Mr. KING. I have been led into a discussion of matters not strictly germane to the question before us, so I shall decline to discuss the so-called "Republican prosperity" or the effects of Republican policy. At an appropriate time I shall be glad to canvass this matter with the Senator from New Hampshire.

Mr. CARAWAY. I heard with regret the Senator say a moment ago that he is in favor of remitting to the States the inheritance tax provided——

Mr. KING. No; I think the Senator misunderstood me.

Mr. CARAWAY. The Senator meant to remit that field of taxation to the States providing they exercised it and levied a reasonable tax. The Senator does not mean, however——

Mr. KING. My position is that I am not in favor of the Federal Government coercing the States into levying a reasonable or unreasonable estate or inheritance tax. I stated a number of conditions which must exist before I would be willing to vote to repeal the Federal estate tax.

Mr. CARAWAY. I am glad to know the position of the Senator. He does not believe that the Federal Government is interested in what a State does.

Mr. KING. No; in the sense that it can not and should not interfere with the States in the exercise of their sovereign powers.

Mr. CARAWAY. The State can enter any field of taxation, or leave it untouched if it wants to.

Mr. KING. That is true; but, of course, the Federal Government has what might be called a platonic interest in the States.

Mr. CARAWAY. The Senator does not mean that the Federal Government should try to exercise any control or bring any pressure to bear upon the States?

Mr. KING. Mr. President, I deny the right of the Federal Government to coerce any State or to weaken its sovereign rights, and Congress should not shape its legislation for the purpose of compelling the States to adopt policies which supporters of a strong central government believe should be adopted.

Mr. CARAWAY. If the Federal Government entered that field, it could proceed with the destruction of the States.

Mr. KING. Undoubtedly the Federal Government could weaken, if not destroy, the States by legislation of the character indicated by the Senator. I believe in the maintenance of the States in all their vigor and power. To impair their sovereignty would be an assault upon the foundations of the Government, because they are and should be as indestructible as the Union, and if the States are attacked or their power diminished, the Union itself is assailed.

Mr. CARAWAY. The Senator has declared against the continuation of the so-called nuisance taxes—the taxes upon automobiles and things of that kind.

Mr. KING. Yes.

Mr. CARAWAY. I am frank to say that I do not think that I quite agree with him, for it strikes me that if we have the opportunity to remit a death tax on an estate left to a child or to take a tax off a Rolls Royce, I believe honestly that it would be better to put it on the high-priced car and take it off of the dead man's estate if there be a choice between the two.

Mr. KING. The situation does not drive the Government to either extreme, but out of the 17,000,000 cars in the United States there are very few Rolls Royce. The majority are cheap cars owned by millions of people. There are more cars in the small cities, towns, villages, and in the rural districts than there are in the cities. The owners of automobiles pay more than a half billion dollars in State, municipal, and gasoline taxes. I have offered an amendment to relieve them from paying Federal taxes.

Mr. CARAWAY. And the State is making a market for the cars by building good roads.

Mr. KING. Yes, and the owners of the cars are helping pay for the roads; and the gasoline taxes, which are very heavy, are largely devoted to road construction.

Mr. CARAWAY. There would have been very few automobiles if the States had not built roads and made it possible to use them.

Mr. LENROOT. Taking the other extreme of the illustration of the Senator from Arkansas, what would he think about taking off the tax on the farmer's Ford and putting it upon the $10,000,000 estate which was not earned?

Mr. CARAWAY. The only thing about it is that the tax on the farmer's Ford is a tax that he voluntarily assumed. He buys the Ford because he wants it. The thing that is laid upon the dead man's estate is because the hand of God has stricken him down. There is a very wide difference between assuming a luxury and buying it because you want it, and simply being unable longer to live and therefore being taxed because you have to die.

Mr. KING. The Senator from New York [Mr. COPELAND] evinced great solicitude for the heirs of deceased persons, and seemed to question the right of a State to tax decedent's estates. I called attention to the fact that liberal exemptions are allowed in those States where death dues are imposed. That is true of the Federal Government. The right to transmit property is not a natural right. It rests upon law. The State of Virginia might pass a law that no man could transmit his property and that upon death it should escheat to the State. Such a law, in my opinion, would not be unconstitutional. I am assuming, of course, that in the constitution of Virginia there is no prohibition. The right of devolution depends upon the legislation of the States and, of course, upon State constitutions.

Mr. CARAWAY. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. CARAWAY. The Senator says the right to hold property is a right granted by legislation. Then, what objection would the Senator have to a capital tax?

Mr. KING. A thing may be morally or legally and technically right, and yet it might be inexpedient and exceedingly unwise to exercise the right. Undoubtedly the State could levy a capital tax. I am assuming, of course, there is no prohibition in its constitution. But, as I have heretofore stated, most taxes are in a technical sense—or at least in the last analysis—a tax upon capital. Unproductive property, as I have stated, pays taxes, and oftentimes in order to meet the levies the property is sacrificed by the owner. The income derived from property becomes capital in the hands of the owner. He may invest it in real estate or other property. It is still capital. He may be required to pay all or a portion of it to the State. It has not changed its qualities or characteristics, whether invested or deposited in the bank or paid to the State.

Mr. CARAWAY. Then, why not just adopt a tax providing that when a man's property no longer yields him an income, and therefore we can not reach him with an income tax, we will take so much of his principal every year—as much as the State ought to take if he had been a citizen who earned something?

Mr. KING. Mr. President, there are defects and injustices in all tax laws, and in revenue enactments the Government does not always go to the limit of its technical legal authority and power. It might do many things which would be unwise and unjust, and ultimately defeat the very objects in view. But governments in all legislation, and particularly in tax legislation, must consider what is wise and what is best for the public welfare.

I repeat, there is a shadowy line of difference in principle when we get to the very base of the question between taxing the proceeds derived from property and taxing the property itself. There is a great deal of difference, however, in the results. It would be unwise for the State under the taxing power to transfer property bodily from the individual to the State. The State does not want the goods and chattels and

the real estate belonging to individuals. It wants only sufficient of the earnings of the people to meet the imperative needs of the State. If it takes more, it is robbery.

If the corpus of property were transferred to the State, the revenues of the people would soon be reduced to the vanishing point and we would have a communistic state. Lenin in Russia, by proclamation or, as some say, by legislative fiat, transferred all property from the individuals to the state.

The result has been calamity, and the folly, if not the wickedness, of such a procedure is beginning to be realized by some of the more progressive and intelligent bolsheviks, and a movement which will prove irresistible is now observable in the direction of private or individual ownership of property. But the harm which has come to Russia can not be estimated, and generations will pass before the effects of the awful tragedy of bolshevik rule will be effaced from Russian life.

The Senator from New York referred to Mr. Ford, and was concerned about his factories and his plants if estate taxes are to be continued. Mr. President, the death of Mr. Ford or Mr. Morgan or any other great captain of industry or finance will have but slight effect upon our economic or industrial life. These men are but bubbles upon the swelling tides that carry humanity forward. Industrial and social systems are modified and changed with the passing years. If such organizations as Mr. Ford's are for the social and political welfare of the people, they will survive. Otherwise, not. Mr. Rockefeller, whose commanding genius built up the Standard Oil Co., is a passing, if not, a past figure. And yet his powerful organization is more omnipotent now than ever. Doubtless Mr. Ford's stock will pass from his hands before his death and the organization which he has built up will survive his death.

But, Mr. President, reasonable estate or inheritance taxes will not destroy organizations of this character. We need not worry over these huge estates or the properties of Mr. Rockefeller or Mr. Ford. Wealth will care for itself. If not immortal, it has many lives and enduring qualities. But, of course, all revenue laws should seek justice and should treat with the same fair consideration men of wealth as the poorest and humblest citizen in the land.

I referred to the question of the devolution of property. The best interests of society justify the right to transmit property by will, but as a man's earnings in his lifetime are subject to taxation, so also may his accumulations be taxed after his death. The right to transmit may be taxed, and it has been definitely established that the Federal Government may impose such a tax. That was held in the case of Knowlton *v.* Moore (178 U. S. p. 41), and in the case of Purdy *v.* Eisner, decided in 1921.

The value of all tangible property in the United States is $320,000,000,000 and the income derived therefrom amounts to between $50,000,000,000 and $60,000,000,000, annually. It seems to me rather absurd to argue that for the Federal Government and the States to collect less than $200,000,000 annually, is a capital levy.

In the calendar year 1922, the gross estates in process of settlement amounted to $2,937,000,000, and the net taxable estates to $1,673,000,000, and the Federal tax to $119,000,000. In 1923 Doctor Seligman states that the gross estates were $2,525,000,000 and the net taxable estates $1,374,000,000, with a tax of $69,000,000.

Great Britain with its heavy death duties is increasing its capital. And notwithstanding the mournful cries in the United States as to the effect of death duties preventing savings and destroying capital, the savings in our country are greater than ever before, and the accumulations in the hands of the estates were never so large.

It is argued by some that the earnings of individuals and corporations are not solely derived from the States in which the individuals reside or the States in which the corporations were organized. At one time business was largely intrastate, but now much of it is interstate, and States are largely geographical expressions so far as business and business activities are concerned. There is no commodity that can be dominated intrastate.

The products of farm and field and mill and mine quickly pass beyond State lines. Most mines of the West are owned by stockholders who reside in the East. The men of the West toil and produce copper, gold, silver, and lead, but the net earnings are not enjoyed by them, but by corporations and estates or trustees or individuals in the East. The wealth of New York is not produced in the Empire State exclusively, but from all parts of the United States it flows like rivulets and streams from the mountains to unite in one mighty river.

It seldom can be said that the estate of a decedent was produced by or in one State alone—in the State where the decedent had his domicile. Indeed, the efforts to enforce the State inheritance and estate taxes reveal the fact that oftentimes the decedent's intangibles, based upon property beyond the limits of the State in which he died, greatly exceed in value the property situate within the State of his domicile. The estates of decedents of moderate means are usually found to have listed property beyond the State in which the deceased is resident, and many individuals live in one State—for instance, New Jersey or Connecticut—whose business activities are within the State of New York.

The great economic and industrial changes in our country do not permit of the establishment of an inflexible formula for the taxing of estates. However, I believe that death dues should not constitute any considerable part of the revenues of the Federal Government. Indeed, as I have indicated in the minority views which I submitted to the Senate as a member of the Finance Committee, the time would come when this field of taxation with property might be left exclusively to the States.

Mr. President, I regret having occupied so much of the Senate's time, but repeated interruptions have led to repetition and prevented a concise presentation of the subject. I hope the Senate will reject the amendment offered by the Finance Committee and accept the provisions of the House bill dealing with estate taxes, with an amendment striking out the provision calling for the return of 80 per cent of the taxes collected, and continuing the present provision which remits 25 per cent to the States.

If it were a proposition de novo, I should oppose the return of any of the taxes collected to the States, but the present law carries the 25 per cent provision, and I realize how utterly impossible it would be to secure a repeal of that provision. Indeed, the House has insisted upon changing the figures to 80 per cent.

The estate-tax provision as it appears in the House bill is unsatisfactory to me, but in view of the fact that it provides for estate taxes within reasonable limits, I prefer it to the position taken by the Finance Committee of the Senate.

I shall at the proper time ask for a vote upon my amendments to the pending bill, which call for the rejection of the Senate committee's amendment and an acceptance of the House provision, with an amendment providing for 25 per cent instead of 80 per cent of the taxes collected to be returned to the States from which they were obtained.

Mr. CARAWAY. Mr. President, I shall occupy the time of the Senate for only a minute.

I am opposed to any provision in a tax bill that undertakes to levy a tax within the State and return it to that State conditioned upon the State surrendering some right, which the bill, as it came from the House, did. It undertook to coerce the State into levying an inheritance tax or estate tax, in order that it might receive back from the Government 80 per cent of the amount of inheritance tax paid in that State, which the Federal Government sought first to collect and to transmit to the State.

If that principle shall be recognized, the independence of the State is destroyed. First, you may compel it to levy taxes when, as in the case of Florida, it does not need the revenue. After you had exploited that field you could control any other activity of the State. I called attention a while ago to the case of the late Senator Lodge, of Massachusetts. Had he fallen upon this instead of the idea of a force bill he would have had a very much more effective weapon in his hands. It would be perfectly easy to compel the State to surrender its control over any of its internal affairs or else crush it by taxation. The proposal is so vicious that it is nonunderstandable to me that any one should approve it. Under the exercise of a similar power the Federal Government could make California come to its knees and surrender its right to exclude Japanese from owning lands within the State. It could make my State, as I said a minute ago, surrender its right to maintain separate schools for white and black children. It could destroy the independence of the States in any respect and in every respect, and therefore I can not understand how anybody should have supported the proposal.

It is just as vicious under the amendment offered by the Senator from Utah, to return to the State 25 per cent, as it is under the provisions of the bill as it came from the House, to return to the State 80 per cent. It is the principle against which I protest; and I do not believe that any Senator, after he thinks of it, will be willing to enter upon that dangerous field of coercing the State by threatening to burden it with taxes if it does not adopt a certain policy that the Federal Government may approve.

Back of that, if the State wants to levy an estate tax or an inheritance tax, of course, that is for the State. I have no dis-

position to express an opinion as to what the States should do. I am at a loss to understand, however, as I have said before, how the morality of the act can appeal to anyone. It rests, not upon the acquisition of new property, not upon any benefit that has accrued to the one on whose property the tax is levied; but simply because the one who accumulated the estate, and who has paid every dollar of the tax assessed against it—paid as much as his neighbor, paid all the law asked or all the law had a right to ask of him—dies, and the property is transmitted to his heirs, at once a part of that property is taken, not because any benefit has accrued, not because any acquisition of new property has accrued to the party receiving it, but simply because the ancestor dies the state takes a part of the estate.

There was a time when, upon the death of one who owned property, his property became that of whoever could seize it. There was just as much morality in that as there is in this act. They took it because he was no longer able to defend it, because he was no longer alive. It became the property of those who could first lay hold of it. After a while it escheated to the king or to the lord, and he gave it back to the heir with certain burdensome conditions attached to it. But through the long centuries, when people fought for their right to acquire and control their own property as well as the right to control their own actions, it finally became recognized that a part of the very right to hold property at all was the right to transmit it. I do not see, therefore, under what pretense, simply because one is dead, the State or any one else has the right to go in and take a part of the estate. If it can take 20 per cent of it—and that seems to be the virtue claimed for this proposal, that it does not take more than 20 per cent—if it can take 20 per cent it can take 100 per cent. If the holding of private property has proven to be a curse and not a benefit, let us let the property escheat to the state upon the death of the person who accumulates it; let us take it all, because under the same power of laying our hands upon the dead man's estate we can take 100 per cent of it as easily as we can take 20 per cent.

I believe everybody ought to pay his taxes, and pay in accordance with his ability to pay, but after he has paid them I think then he ought to be acquitted from any other burdens that everybody else in the State does not bear with him. Nobody can contend that an estate tax rests equally upon all, because it does not. It is not meant to.

This field has been well gone over. I wish now to offer an amendment, which I understand is to be accepted, not dealing with this particular question, but dealing with the question of making available to the taxpayer information which may be received by the department, or any agent thereof, in determining whether or not a taxpayer has in fact paid all the taxes that he should pay; in other words, to enable him to have a trial when he knows who it is that says he has not discharged his obligation to the state, and that he may know what the charges are, and not have a star chamber proceeding, as we now have.

I offer this amendment, and ask that it be printed, and lie on the table.

The PRESIDING OFFICER. Without objection, the amendment will be printed, and lie on the table.

Mr. BRUCE. Mr. President, I can not let the amendment suggested by the Finance Committee to the pending bill pass to a vote without distinctly placing on record my personal convictions in relation to it, not only by my vote, but by an oral expression of my sentiments.

I do not believe that there is a field of any sort into which the hand of reform can more seasonably be pushed at the present time than the field of post-mortem taxation. Has your attention ever been called to the fact, Mr. President, that under the tremendous mass of superincumbent taxation which now rests upon the estates of decedents, it is entirely possible for the estate of a decedent to be totally destroyed by taxation? Some time ago the president of one of our trust companies in Baltimore came out in a most interesting pamphlet in which he mentioned several specific instances in which the entire value of the estate of a decedent had, by general property taxation, income taxation, State transfer taxation, and other forms of taxation, been completely absorbed. In other words, the Commonwealth had taken everything and nothing was left for the heirs. So it seems to me that any subject which is closely related to the general subject of post-mortem taxation is at the present time one calling for the closest and most earnest consideration.

I do not say that the estates of decedents should under no circumstances be subject to estate or inheritance taxation, though I think that much could be said in behalf of that idea. A man dies, his estate continues to be taxed in the hands of his personal representatives, and when later on it is distributed by them it still remains taxable in the hands of the distributees.

Abstractly, I might not unreasonably deny the right of the State to tax the mere privilege that a man enjoys during his life of providing for the transmission of his estate after his death to his beneficiary. An estate tax diminishes incentives to thrift and accumulation; it is a tax on capital, and often can be raised only by the sacrifice of nonliquid assets. But when one calls attention to these things, he is wandering off more or less into the province of a priori philosophy, and I have no disposition, when dealing with such an eminently practical thing as taxation necessitated by extraordinary exigencies, to allow myself to be drawn off into any such province.

I will assume that, either for the purposes of Federal or State taxation, the estate tax should be continued as a part of our tax system; but I do say that no Member of this body has the right, under the guise of taxation, to seek social legislation. That, it will be recollected, Mr. President, was only a short time ago bluntly stated by the President in one of his messages.

When I turn back to the records of the Sixty-third Congress I find the Senator from Nebraska [Mr. NORRIS] saying that his purpose in offering an amendment relating to the estate tax was to break up swollen fortunes; that is to say, not to bring money into the Treasury of the United States for fiscal purposes merely but to work the disintegration of great fortunes. As long as there is a Federal Constitution, as long as there are State constitutions, as long as there are State legislative bodies not accessible to corrupt influences and honest and fearless executive officials, I for one am not afraid of swollen fortunes.

I have heard Members of this body express themselves as if wealth were some kind of ogre or monster, "Gorgon or Chimæra dire," as the poet says. For one I do not regard wealth as a curse. I regard it as a blessing. If it is ever a curse it is only because the representatives of the people have not been faithful to the injunctions of the Constitution and laws which they are sworn to obey.

To my mind a rich man in a community is nothing less than an irrigating stream passing through an arid plain.

The extent to which he can make any personal use of his fortune is most limited. If I am rich, I can not spend a dollar without benefiting everybody in the community around me. The only wealthy man, as I had occasion once to say upon the floor of the Senate, whose wealth does not benefit everybody about him, is the man who keeps his wealth up a chimney or in a hollow tree or in a hole in the ground. No sooner does an opulent man begin to expend his money than he benefits the butcher and the baker and the candlestick maker; everybody, in a word, who can be profited by the beneficent flow of a stream of wealth.

I live, I thank God, in a community in which there is no prejudice, or no prejudice worth speaking of, against wealth. I am not wealthy myself, and I am glad further to say that, as one member of that community, I, too, have no bias against riches. It is to our wealthy men in Maryland that we turn whenever we need money for eleemosynary purposes or good purposes of any kind. In speaking for the rich men of Maryland I can say that we never call upon them in vain. They are among our best citizens, among our best citizens in every sense of the word. Their hearts are enlisted in religious work, in charitable work, in public tasks of all sorts, and, as I have also had occasion to say on this floor before, if there is any place in the Union where wealthy men are not duly prized, please let the place pass them on to the State of Maryland. We will take them, and gladly take them, and if any of them have any disposition to disregard our wholesome laws, we have honest and capable officials to see that any injury that is done by them to the public is soon redressed.

At times I find difficulty in understanding why the wealthy men of this country are so patient under the constant denunciation to which they are subjected. One day they are held up to public scorn as freebooters, conspirators, malefactors of great wealth, men who do not have anything, really, in common with their less fortunate fellow citizens, men who should be more or less legislatively proscribed, and personally visited with stripes and chains.

Under such circumstances it is a little perplexing to ask why a man like Rockefeller, or Carnegie, or Duke, or any other very rich man, living or dead, like them should not weary, or should not have wearied, of well doing. Yet, after all this misrepresentation and invective, after impositions even of 40 per cent held over their entire fortunes we have seen such men continue in their wealth, in one way or another, to be fruitful of benefits not only to the communities in which they

live but to the entire United States; the Rockefeller fortune year after year contributing millions and millions of dollars to the education of the poor, ambitious youth of the land; the wealth of Carnegie year after year, in the form of noble libraries and other beneficent institutions, conferring a boon of such value upon humanity that it can hardly be expressed in words; and Duke only a few months back conferring upon his native State for higher educational purposes a pecuniary bounty amounting to not less than some $94,000,000.

The truth is I suspect that these rich men make the allowance for the abuse to which they are subjected. They have too much sagacity, too much knowledge of the world and of the course of human affairs and the play of human character not to make such allowance. They know that most of the attacks upon wealth are inspired by mere cant or demagoguery to which no intelligent, rational man should be too quick to lend his ear.

So it would be against my principles to give my approval to any estate tax that is designed merely for the purpose of breaking up swollen fortunes. Of course, I do not wish to be misunderstood. Wealth has its temptations, its strong, urgent temptations, but no temptation at that so strong or so urgent as the temptations of indigence. All forms of power—and wealth is an imposing form of power—must be vigilantly kept in eye by the representatives of the people. As John Randolph of Roanoke once said, "Nothing can limit power save power." Assuming that a democratic society has a sound constitution and sound laws and honorable, upright and faithful representatives to enforce them, there is nothing to justify the fear that any class of men, however affluent it may be, will ever constitute any permanent incubus upon the popular welfare.

I am in favor of the amendment offered by the Finance Committee, because it abolishes in toto the Federal taxation of estates; and I say that because I think that in times of peace, in times when the Federal Government is in no need of extraordinary sources of taxation, the field of estate or inheritance taxation should be left exclusively to the States.

It is under the protection of the States that property is acquired and held, willed, and distributed. The estate liable to an estate or inheritance tax is a creature of State government, not of the Federal Government. Primarily, therefore, the claim of the States upon estate and inheritance taxation as a source of taxes is paramount to that of the Central Government. That fact has been recognized by the latter Government from the very beginning. In 1797 Congress imposed a tax upon legacies and distributive shares; in 1802 it was repealed. In 1862 Congress imposed a similar tax upon legacies and distributive shares; in 1870 it, too, was repealed. In 1898 a similar tax was imposed by Congress; in 1902 it, too, was repealed. In other words, the Federal estate or inheritance tax is a war tax. It has always been the offspring of either flagrant or impending war. Such was its origin in 1797, in 1862, in 1898, in 1916. In 1916, as the Senator from Florida [Mr. FLETCHER] said, we were on the eve of war. We heard the rumblings and felt the tremblings of the approaching earthquake. We had reason to believe that we would soon be involved in war, and simply took time by the forelock when we created the estate tax of that year. Some of the Members of this body, I am sure, will remember that when the estate tax was modified in October, 1917, it was expressly referred to as the war estate tax. That is my answer to the Senator from Wisconsin [Mr. LENROOT], who questioned whether the estate tax imposed in 1916 was in truth a war tax.

Mr. LENROOT. Does the Senator say that when it was imposed in 1916 it was a war tax

Mr. BRUCE. I do.

Mr. LENROOT. That is when it was first levied.

Mr. BRUCE. Yes; it was levied first in 1916. In the State in which I live a national defense association, composed of the foremost citizens of Baltimore, was in existence in 1916. I affirm, as I have often done, that the merchants and other business and professional men of Baltimore showed far more foresight on the eve of the World War than many statesmen in Washington did, not excepting some who were holding the very highest posts under the Federal Government.

In the present instance, too, the exigency that evoked the Federal estate tax has passed or is passing so rapidly that we may regard it as passed. Federal taxation is diminishing like a melting snowball. State and municipal taxation is increasing like a rolling snowball. Every year now sees a marked diminution of our national debt, and that notwithstanding the fact that a steady reduction in Federal taxation is going on from year to year, but the level of State and municipal taxation is rising higher and higher from year to year. The very richest sources of taxation are open to the Federal Government. There is the great field of tariff taxation—what appertains to the power of the Federal Government to impose duties on imports of every sort, a most fruitful source, an exceedingly constant source of revenue. There is the income tax with its enormous potentialities, and for my part I should like to see the States surrender the privilege of income taxation altogether to the Federal Government, but I do not think that the Federal Government could set up a juster claim to the exclusive right to levy income taxation than the States to the exclusive right to levy estate or inheritance taxation.

Why, Mr. President, to the Federal Government the estate tax amounts to but little. It is calculated that in 1926 it would only be some 3.9 per cent of the whole volume of Federal internal revenue taxation. Now that the shadows of war have fled and there is no longer any occasion for the Federal Government to rely upon estate taxation for war purposes, the power of the States to levy such taxation might be a matter of the very highest degree of significance to them. There are some States in the Union that derive as much as 14 per cent of their entire revenue from estate or inheritance, taxation, and so on down the scale, to 13, 11, and 10 per cent. In other words, the right to tax estates or inheritances is a matter of momentous importance to the States, but of comparatively trivial importance to the Federal Government. Why then should not the right be surrendered by the latter Government to the States?

Surely with such splendid resources as import duties and income taxes the Federal Government might be generous enough to let the States have estate or inheritance taxation solely to themselves. As I have intimated, the States need it badly. A legislative committee reporting at Albany last year called the attention of the New York Legislature to the fact that at that time taxes in one form or another were absorbing no less than 30 per cent of the net revenue of the New York farmer, and of the farmer at that who was possessed of the most productive lands in the State of New York. Of course the percentage was still higher in the case of lands less productive in value.

Indeed, Mr. President, I can not understand how, with full knowledge of this state of affairs, some Members of this body, who are forever harping upon the woes of the farmer, can be unwilling to let the States in which the farmer lives have the full benefit of estate or inheritance taxation. It seems to me that the conduct of those Members of this body is as hopelessly inconsistent as the conduct of other Members of this body who are prepared to give their assent to large increases in the expenses of the railroads at the very moment when they are decrying in the bitterest terms the high railroad rates of which the farmer complains. When I note inconsistencies of this kind I can not help believing that on the part of some of those who exhibit them there is far more uneasiness about reelection than there is about the real welfare of the farmer. So I say, let us abolish Federal estate taxation altogether, and let the States have the undisputed enjoyment of that instrument of taxation.

It follows from what I have said that not only do I favor the amendment suggested by the Finance Committee but that I am inflexibly opposed to the manner in which estate taxation was handled by the House of Representatives when the pending bill was under its consideration. As I have more than once had occasion to declare since I have been a Member of this body, it is high time that the Federal Government should cease to encroach upon the just rights of the States. I was opposed to the old candid, direct forms of Federal encroachment upon the domain of State jurisdiction, but feelings engendered in my breast by those forms of encroachment are but languid as compared with the feelings engendered in my breast by the more modern forms of Federal usurpation.

The time has arrived when the Federal Government is thrusting its hand into the very bosom of State authority, asserting sovereignty in one degree or another even over such subjects as infancy, maternity, labor, education, health, construction of State highways, and what not, things that no one in the earlier stages of our national history ever imagined for a moment that the Federal Government would attempt to intermeddle with. In recent years, through the agency of what has come to be generally known as 50-50 legislation, the National Government has contrived a means of filching from the States a large and a most precious part of their rights of local self-government.

All of us know how seductively, how insidiously the Federal appropriations, which are made from year to year for the construction of State highways in the Union, operate. After the Civil War there was for some time danger of State sovereignty being raped. That day has passed. Now the process by which the Federal Government, year after year, intrudes more and

more upon the province of State rights is a process of indirection, a process of stealth, a process of spoliation in the guise of helpful beneficence.

In the pending bill we have one of the most striking of all recent illustrations of that process. A sovereign State of the Union, the State of Florida, which has never had an estate or an inheritance tax, or an income tax, has seen fit, in the exercise of its own ideas of State policy, to adopt constitutional provisions prohibiting State estate or inheritance taxation, or State income taxation. Did she not have the right to do that if she saw fit to do it? If her condition was so fortunate that she could dispense with estate or inheritance or income taxation, is that any reason why the Federal Government should endeavor, in the cunning manner evidenced by the House provisions of the pending bill, to deprive her of her autonomy?

The House proposition is nothing less than an astutely devised expedient for fitting every State in the Union to one standard procrustean bed of taxation. The idea of that proposition is to make estate or inheritance taxation so alluring to the States that they will all adopt the same system of such taxation for the purpose of obtaining the credit of 80 per cent upon their Federal estate tax bills provided by the House. As the Senator from Arkansas [Mr. CARAWAY] has argued with such unanswerable force, the Federal Government might just as well attempt, in the same oblique manner, to control any other matter of State policy, to compel a State to knuckle under to its will in any respect whatever. In that manner the Federal Government might exercise dominion over education in the States, the tenure of property in the States; in fine over any and every matter of State concern, however intimate or vital. No power would be left to the States worth a pin's fee if such a practice on the part of the Federal Government were to be recognized and given force. And just reflect how unequally the House proposition would work! Most estates which are settled up in State probate courts fall below $50,000. That class of estates, of course, would not be entitled to any credit at all under the House proposition, because there would be no Federal estate tax upon which the credit could be made.

Mr. LENROOT. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Wisconsin?

Mr. BRUCE. I yield.

Mr. LENROOT. I should like to follow the Senator, but I do not quite do so. If the estate is under $50,000 it is not affected at all by the present law.

Mr. BRUCE. That is just what I have stated; consequently, as to such an estate there would be no Federal estate tax on which any State estate tax could be credited. In other words, the proposition runs a line of invidious discrimination between estates of less than $50,000 and estates above $50,000.

Then another thing is to be borne in mind; inheritance taxation in many of the States—there is not much estate taxation in the States—is limited to collaterals. Take the State of Maryland, for instance. That State does not impose an inheritance tax upon anything except distributive shares or devises or legacies received by collaterals. So, in such States, except in the case of collaterals, there would be no State estate tax to be credited on the Federal estate tax even where the estate did not fall below $50,000. Can anyone deny that? In other words, the proposition of the House of Representatives not only draws an invidious line of distinction between estates that fall below $50,000 in value and estates that rise above $50,000 in value, but also draws the same line of distinction between estates that pass to the wife or lineal descendants of the testator and estates that pass to collaterals.

Those are matters to which no reference has been made in this debate, so far as I know, but they certainly are matters of the most pregnant meaning, which should be duly taken into account in asking just what the sequels of this proposition of the House, if carried into effect, would be.

Mr. WILLIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Ohio?

Mr. BRUCE. I do.

Mr. WILLIS. I have not been privileged to hear all of the Senator's remarks, and possibly he may have covered this ground. I should be interested, if he has not covered the ground, to have him state what he thinks would be the effect on the rates of local taxation upon real and personal property in the States of the continuation and extension of the Federal inheritance tax?

Mr. BRUCE. I think it would be very serious, indeed. The Senator was not in the Chamber when I referred to some of the statistics that bear upon that matter. I will say to the Senator from Ohio that there are some States of the Union that derive as much as 14 per cent of their entire revenues from estate or inheritance taxes; and, of course, the effect of State estate or inheritance taxes is, as far as they go, to relieve the State property owner of the burden of taxation on his land.

Mr. WILLIS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maryland further yield to the Senator from Ohio?

Mr. BRUCE. I do.

Mr. WILLIS. The Senator will understand, of course, the point that I am driving at. The complaint in the country is about the high rates of taxation for municipal and county and State purposes. Now, it seems to me that if the Federal Government is to insist upon occupancy of this field of taxation, just as the Senator says, it must inevitably lead to increased burdens of local taxation.

Mr. BRUCE. Unquestionably, I say to the Senator from Ohio. As the legislative report of the New York committee to which I referred a little while ago shows, in the State of New York, even as respects the most highly productive lands, taxation absorbs 30 per cent of the net revenue of the farmer, and a still larger percentage in the case of the revenues of less productive lands. So, while I do not wish to repeat myself, it is hard for me to understand how anybody who feels any very intense solicitude about the farmer, such as is so often expressed upon the floor of this Chamber, should hesitate to turn over this particular branch of taxation exclusively to the States.

For instance, I will say to the Senator from Ohio, in 1922—I have no later statistics—inheritance taxes constituted 14 per cent of the State revenues from all sources in the State of Rhode Island, 13 per cent in Massachusetts, 13 per cent in Pennsylvania, 11 per cent in New York, 11 per cent in Connecticut, 11 per cent in California, 10 per cent in New Jersey, 7 per cent in North Dakota, and 7 per cent in North Carolina. This particular taxation is a matter of the very highest degree of importance to the States. It is a mere song so far as the Federal Government is concerned.

Mr. LENROOT. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Wisconsin?

Mr. BRUCE. Certainly.

Mr. LENROOT. With reference to the inquiry of the Senator from Ohio, I should like to ask the Senator a question. If the House provision should prevail, allowing a credit of 80 per cent, does the Senator think the State of Maryland would increase its inheritance taxes so as to get the full benefit of the 80 per cent?

Mr. BRUCE. All I have to say is that I do not want my State subjected to the temptation of any such seduction.

Mr. LENROOT. That is hardly the question I asked; but let me put another question. If it did increase the credit, it would immediately relieve the general property of the taxpayer in the State of Maryland by the amount of the increase; would it not?

Mr. BRUCE. I think—I may be wrong about that, now—but I think that for upwards of 50 years at least the policy of our State has been to impose inheritance taxation only on estates passing to collaterals. I can not conceive of anything of the sort that would be more obnoxious to the sentiments, feelings, and convictions of our people than coercive legislation by the Federal Government which made them feel more or less as if they were compelled to alter their own ideas of State policy in order to obtain a benefit which they would gladly reject if let alone. We get right back to the crux of the thing when such a question is asked as the Senator from Wisconsin has asked of me. I reply to his question, as we are only too apt to do, by asking another: Why should not the State be allowed unseduced, unmolested, unafraid, to pursue its own ideas of State policy?

Mr. President, I believe that there is nothing remaining for me to say except to call attention to the very small revenue that the Federal Government would derive from estate taxation in case the proposition of the House were adopted. It is computed that the amount that would be derived during the present year from the Federal estate tax would be about $110,000,000. If 80 per cent of that went to the States, that would, of course, be $88,000,000. The Federal Government would get only $22,000,000. That would be the net result that it would reap from carrying into execution the ideas of the House.

In conclusion, Mr. President, I simply desire to call the attention of the Senate to the very small percentage of its entire taxes that the Federal Government has derived from estate taxation. During the Civil War and Spanish War the Federal inheritance tax never amounted to 1 per cent of the total

ordinary revenues of the Government, and even during the World War the best that it did was to contribute 3.6 per cent in one year to the revenues of the Government. The pending amendment suggested by the Finance Committee asks the Federal Government to give up something of very insignificant value to it and to confer upon the States something that might be of very great value to them indeed.

Mr. LENROOT. Mr. President, those favoring the repeal of the Federal estate tax approach the question from widely different roads, but they arrive at the same station. The Senator from North Carolina [Mr. SIMMONS] urges the repeal of the Federal tax upon the ground that the States need all the revenue that can be secured from a reasonable imposition of an estate or inheritance tax. Hence, he is in favor of the repeal of the Federal tax. Others frankly take the position that any imposition by either the Federal or the State Government of an estate or inheritance tax is immoral and wrong.

Mr. President, I am a little surprised to find many Senators on the other side of the aisle declaiming against the Republican Party as being the friend of special privilege, charging upon the platform that, due to the policies of the Republican Party, swollen fortunes have been gained, unearned, through special privilege, and yet they are unwilling to have the Federal Government secure any revenue by way of taxation out of those so-called swollen fortunes by way of an estate tax when it has an opportunity to do so.

My position upon this question is not that the States should be coerced. It is very simple. I believe that no fairer tax can be imposed than an estate or inheritance tax. Given reasonable exemptions, it is much fairer to impose such a tax than to impose an income tax upon an earned income of $5,000 a year. It is much fairer to impose such an estate tax than to impose an excise tax of 3 per cent on the sale of a Ford automobile. So, Mr. President, when we have one legitimate source of revenue that can be properly taxed by two jurisdictions, the State and the Federal, the fact that there may be conflict between those two jurisdictions is no reason why that source of revenue should go scot free and not be taxed at all.

Mr. President, my view is just this: The Federal Government should impose a reasonable estate tax and, recognizing that the States have the same power to impose a tax that the Federal Government has, consideration should be given to the taxing power of the other jurisdiction.

It might well be that with the unlimited exercise of the power of the two jurisdictions an estate might be entirely confiscated; and we may come to the time when the same principle will apply to the income tax, because the States to-day have exactly the same power to tax incomes that the Federal Government has.

It might be that we would have a State imposing such a high State income tax that when added to the Federal income tax it might practically confiscate the income. The jurisdiction of the State, as well as that of the Federal Government, is a very proper factor to be taken into consideration in the levying of taxes.

The House provision in this respect does what? It denies no power to the States, either to tax or to relieve from taxes. It does just this one thing, it recognizes fortunes transmitted at death as a legitimate subject of taxation, and it imposes a fair and reasonable rate. Then, by the credit provision it says, recognizing the States have the same power in this respect that the Federal Government has:

> If the States choose to exercise their power and use this as a source of revenue, in justice to the estate, we will deduct from the Federal tax the State taxes paid up to 80 per cent of the amount of the Federal tax.

If a State does not care to do that, as in the State of Florida, there is no discrimination against the State. We say that if Florida does not need this source of income, the Federal Government does, and we will have it, and the estate pays no more in one case than in the other.

It is urged that a Federal income tax has only been employed in time of war; but recognizing, as we must, that in 1916 the Federal inheritance tax, which has continued in existence in one form or another, was then employed, and as we were not then at war, it is admitted that in that case an inheritance tax was not only imposed when we were not at war but when the party that imposed it made a campaign throughout the United States and elected its candidate upon the platform that he had kept us out of war, giving the people of the United States to understand that by keeping the Democratic Party in power the United States would not get into the World War.

They say that the inheritance tax was necessary, that it was then proper in order to prepare the country for emergencies. But they say now the emergency is gone, now there is no more reason for this tax. They say the Federal Government does not now need the money. But they do say that the Government still needs 3 per cent tax on automobiles; they say the Government still needs a tax on admissions and dues; they say the Government still needs an income tax on all incomes in excess of $3,500 a year, but that it does not need the estate tax.

Do Senators think the people of the United States are going to accept that reasoning, that they are going to say that great fortunes of $10,000,000 and over need pay no tax to the Federal Government because we do not need the money, when we continue all the other taxes which are provided for in this bill?

Mr. President, the chief argument made by the majority on both sides of the aisle—because this, too, is a nonpartisan question—is that the States need this revenue, and that if the Federal estate tax be repealed the States will increase their inheritance taxes and thereby relieve the general property owner from the onerous taxes which he is now compelled to bear. That he is now compelled to bear them everyone now admits. The testimony is unanimous that the average farmer in the United States to-day, taking his combined taxes, pays about 30 per cent of his net income in taxes of one sort or another. The majority say, "Repeal the Federal estate tax and we will increase the State inheritance taxes so as to relieve the farmers of some of the burdens of the general property tax." But the propaganda behind this movement—and I am not referring to anyone in the Senate—the inspiration of all the tax clubs which came before the Ways and Means Committee of the House, was not aimed at finding a means of raising State inheritance taxes, but it was for the purpose, first, of repealing the Federal estate tax, and then going further to repeal State inheritance taxes. There can be no question about that.

Many governors of States came to Washington and appeared before the House Ways and Means Committee, urging the repeal of the Federal estate tax. Many representatives of tax clubs appeared before that committee, and nearly all of them recited about the same words, that they were in favor of the repeal of the Federal estate tax. But I want to give them due credit and say that when cross-examined by members of the Ways and Means Committee nearly every one of these gentlemen in the last analysis admitted he was not really in favor of the thing they came down to Washington to urge.

I have gone over the hearings before the House Committee on Ways and Means with some care, and I want to quote from just three or four of the governors of States and others who appeared before that committee in the first instance advocating just what is advocated here, the total repeal of the Federal estate tax.

Governor Walker, of Georgia, said:

> My State has practically abolished the inheritance tax. I want to say I think it was following the lead, the artificial lead, and the spirit, which I do not approve, of the State of Florida.

Yet there are Senators upon this floor who say that the action of Florida and Alabama would have no effect whatever upon their States. Here is the governor of one of the Southern States who practically says that the attitude of his State was governed by the attitude of the State of Florida.

The speaker of the Texas House of Representatives stated before the House Committee on Ways and Means that if the Federal tax were repealed he was satisfied that the State of Texas would not increase their State rates.

Mr. WADSWORTH. Does the Senator know the Texas State rate?

Mr. LENROOT. No; but I can give the Senator the amount they collected. They collected $114,000 in 1923 in the great State of Texas. Yet they come here and say, "Repeal the Federal estate tax so that we can relieve general property owners of our State." But the speaker of the House of Representatives of Texas says to the committee that if we do repeal it they will not increase their State rates. Therefore it follows that they will not relieve the farmer and the general taxpayer of Texas at all.

As for Iowa, Henry L. Adams, representing the tax clubs, said:

> I do not believe the State organizations would favor increasing the present estate tax in Iowa.

He was candid, he was frank. I have no question but that the State tax clubs would oppose increasing any State rate, because what they are after is to secure the repeal of both Federal and State interitance tax laws.

Mr. Clem F. Kimball, of the same State, appeared, and testified as follows:

Mr. CAREW. Would there be a tendency, if the Government got out of the field of inheritance tax, for your State government to increase the inheritance tax?

Mr. KIMBALL. No; I think not.

Mr. CAREW. And relieve the property tax?

Mr. KIMBALL. I think there would not be any tendency to increase the inheritance tax at the present time.

That was the statement of a representative of the State of Iowa. Does anyone say that the farmers of the State of Iowa are going to be benefited by the repeal of the Federal estate tax?

The Governor of Virginia appeared before the Ways and Means Committee of the House, in common with other gentlemen, at first blush joining with them in advocacy of the repeal of the Federal tax, but when he fully understood what the proposition involved was, Governor Trinkle, of Virginia, changed his mind. I want to quote from his testimony:

The CHAIRMAN. I think that if the Federal inheritance tax were absolutely repealed many wealthy citizens of your State—and there are many of them—would take up a nominal residence in Florida, and you would not only lose the inheritance tax but the income tax. You could not enforce either one against them. If you made the tax any more you would have a general exodus of them.

Governor TRINKLE. Yes.

Mr. GARNER. There is no other power that could reach Florida in this situation except that of the Federal Government.

Governor TRINKLE. None that I know of; no, sir.

Mr. RAINEY. And it is doubtful whether the Federal Government——

Governor TRINKLE (interposing). I do not think it is at all doubtful. If you should turn it over and leave it to the States, to be manipulated as they pleased, or to be levied in such form as they pleased, it would have that bad effect.

That is the statement of Governor Trinkle, of the great State of Virginia.

Then, there was the Governor of Tennessee. I do not notice either of the Senators from Tennessee upon the floor, and I am sorry. Governor Peay testified:

I will say to this committee that I do not think we will increase inheritance tax in Tennessee at all if the Federal Government should abandon its inheritance tax.

These are the views of some of the men who came to Washington last fall to appear before the Committee on Ways and Means to advocate the repeal of the Federal tax. When they got here and learned what the true situation was, there was scarcely one of them who did not modify his position, as can be seen by anyone who will go through the hearings.

Just as sure as night follows day, if we repeal the Federal tax and it is attempted in North Carolina to increase the estate tax, it will fail, because Alabama and Florida have no inheritance tax. The result will be, if we repeal the Federal estate tax now, that one by one the States will repeal their State inheritance taxes, and this great amount of unearned wealth will go scot free from any sort of an estate or inheritance taxation.

Mr. WADSWORTH. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from New York?

Mr. LENROOT. I yield.

Mr. WADSWORTH. Do I understand the Senator to prophesy seriously that every State in the Union will eventually repeal its inheritance tax law?

Mr. LENROOT. I think it is very likely to happen even in the great State of New York. I remember what happened in the Senator's State some 15 or 20 years ago.

Mr. WADSWORTH. Why go so far back?

Mr. LENROOT. I know it drove some very wealthy New Yorkers to another State.

Mr. WADSWORTH. Has the Senator noticed any disposition on the part of New York Legislatures at any time to repeal that tax?

Mr. LENROOT. No; because we have a Federal tax.

Mr. WADSWORTH. But before we had a Federal tax?

Mr. LENROOT. I do not know. This system of Federal taxation, as the Senator knows even better than I, has only really begun to tap estates in the last 10 years.

Mr. WADSWORTH. That is a very sound suggestion the Senator just made. I like that word "tap."

Mr. LENROOT. It is a perfectly good English word.

Mr. WADSWORTH. Let me state to the Senator that there is not the slightest chance on earth that New York will give up her inheritance tax.

Mr. LENROOT. I am glad to hear it.

Mr. WADSWORTH. I think I can say the same for many other States. In fact, we had inheritance taxes before the Federal Government started to do this tapping, and all it has done is to cramp our style.

Mr. LENROOT. But you have increased your taxes. Did you not increase your taxes so as to get the full 25 per cent credit?

Mr. WADSWORTH. Has the Senator noticed the way in which that was done?

Mr. LENROOT. Was it not done?

Mr. WADSWORTH. It was done and it was not done. The taxpayer pays no more. The Federal Government did not get the benefit of what the State did.

Mr. LENROOT. But the State of New York got a little more by reason of the 25 per cent credit, did it not?

Mr. WADSWORTH. No; it did not. The State rate remained the same. It was very skillfully devised by the transfer of accounts on the State tax list in that respect, which I think the Federal Government has met with a half-way proposal, and the taxpayer in New York pays no more and no less and the State gets the revenue.

Mr. LENROOT. Should the 80 per cent credit prevail does the Senator think New York would increase her rates?

Mr. WADSWORTH. No; I do not think she would. She is taxing enough now.

Mr. LENROOT. Then the Federal Government would get more revenue than some gentlemen have been estimating.

Mr. SIMMONS. Mr. President, New York is now collecting probably more as inheritance taxes than the Federal Government collects in estate taxes.

Mr. LENROOT. New York collects an estate tax of some $17,000,000, and the Federal Government collected $10,000,000.

Mr. SIMMONS. The Senator is mistaken about that. The State of New York collected $17,000,000.

Mr. WADSWORTH. The State of New York is not going to give up that revenue by any means. Her rates are low, but the number of taxpayers is high. The State gets a substantial revenue. It adopted the policy of inheritance taxes years and years ago, and has not the slightest intention of abolishing them.

Mr. LENROOT. Of course, if the State of New York does not see fit to increase its inheritance tax and get the full amount of credit, the Federal Government will get that much more.

Mr. BRUCE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Maryland?

Mr. LENROOT. I yield.

Mr. BRUCE. I desire to state to the Senator from Wisconsin, in connection with what was said by the Senator from New York, that to my own personal knowledge we have had a collateral inheritance tax in Maryland for 45 years. I looked the matter up this afternoon. If I am not mistaken that tax has been in existence 75 years, or even a hundred years. I want to ask the Senator from Wisconsin a question. I gathered from the views that were expressed by the Senator in the Sixty-seventh Congress that at that time he did not believe an estate tax was based on any correct principle whatever.

Mr. LENROOT. I do not know what the Senator is reading from.

Mr. BRUCE. It is the Congressional Digest. There is a summary here of the views then expressed by the Senator.

Mr. LENROOT. I am sure I never said any such thing as that.

Mr. BRUCE. I verified it by reference to the CONGRESSIONAL RECORD.

Mr. LENROOT. I said the Federal tax I thought was not based upon a correct principle. I favor the inheritance tax rather than the estate tax.

Mr. BRUCE. This digest says that—

Senator LENROOT spoke against the section, saying that the plan of an estate tax is not based upon any correct principle.

Mr. LENROOT. Yes; I have always been in favor of an inheritance tax and the rate being based upon the distributive shares.

Mr. BRUCE. That was the view of other Senators.

Mr. SIMMONS. Mr. President, will the Senator yield to me?

Mr. LENROOT. Certainly.

Mr. SIMMONS. I do not desire to interrupt the Senator from Wisconsin.

Mr. LENROOT. I am glad to be interrupted.

Mr. SIMMONS. And I should not have done it if somebody else had not done so in the first instance. But there was a part of the reasoning of the Senator a few moments ago that

I could not possibly follow. His argument was that if the Federal Government took its hand off of this source of taxation the States also would abandon it. At the present time the Federal Government is collecting out of the States $110,000,000 a year, or that is what it is estimated it will collect next year. Notwithstanding the fact that the Federal Government is collecting that large amount out of the citizenship of the country every year, the several States of the Union in 1925 imposed State inheritance taxes from which they realized $79,000,000, or within $30,000,000 of as much as the Federal Government was collecting. Now, does the Senator think that the States which would levy $80,000,000 while the Federal Government was levying $110,000,000 would abandon that field if the Federal Government should cease to tax inheritances at all?

Mr. LENROOT. They are very likely to do so.

Mr. SIMMONS. Why should they not abandon it when the Government is imposing this heavy burden? Why should they wait until the Government removes that burden and then abandon that field?

Mr. LENROOT. But I just read where the Governor of Georgia said they had done that very thing this last winter.

Mr. SIMMONS. But Georgia does not constitute the 48 States.

Mr. LENROOT. I will give the Senator the reason.

Mr. GEORGE. Will the Senator permit me to interrupt him?

Mr. LENROOT. Certainly.

Mr. GEORGE. The governor was not entirely accurate in his statement. The State had a very small estate or inheritance tax. The rates were very low. After the passage of the 1924 act which allowed the 25 per cent credit to the taxpayers within the States, the State then passed an inheritance or estate tax law which hinged itself on the Federal act and provided that the State should levy and collect 25 per cent of the tax levied by the Federal Government.

Mr. LENROOT. So if the Federal tax is repealed there will be no State inheritance tax in Georgia?

Mr. GEORGE. That is so far as estates up to $50,000, which are exempt under the Federal law.

Mr. LENROOT. I want to give to the Senator from North Carolina the reason that will actuate many of the States. We have had some experience in my own State of Wisconsin with reference to very wealthy men moving to other States, partly by reason of the inheritance tax and partly due to other tax conditions. But it is not only the inheritance tax that is involved. A man with a very large fortune engaged in a very large business, if he is resident in the State, pays an income tax from year to year in that State. If there be inducements for him to remove his residence to another State, it is not the inheritance tax alone that is lost, but the income tax from that man from year to year, so that it might well be that a State, for the purpose of getting that man's income tax from year to year, would be willing to repeal its inheritance tax law.

Again, with reference to what the States might do, I recognize the very powerful influence of groups of individuals upon legislative bodies, legitimately exercised, of course. To illustrate, I find in this very body a most complete reversal with regard to this very question in the last five years, due no doubt to the various tax clubs and organizations of various kinds. If they could so influence the Members of the Senate, is it too much to say they might likewise influence the members of State legislatures after they have accomplished their purpose here?

In this connection I want to read the action of this body five years ago upon this very subject. Last year there was no roll call upon the estate-tax provision. I was ill at the time and was not here, but I looked up the RECORD. But five years ago, in 1921, an amendment was offered increasing the estate tax to a maximum of 50 per cent, or double the rate that then existed under the law. The war was over then as much as it is to-day. But how did this body vote then upon that proposition to increase the estate tax to a maximum of 50 per cent upon estates in excess of $100,000,000, 30 per cent upon the net estate exceeding $50,000,000, and graduated between?

Voting for that amendment, of the present Members of the Senate, I find the following: Messrs. ASHURST, BORAH, BROUSSARD, CAPPER, CARAWAY, CUMMINS, CURTIS, EDGE, HARRELD, HARRIS, HARRISON, HEFLIN, JONES of New Mexico, KENDRICK, LENROOT, MCKELLAR, MCNARY, ODDIE, OVERMAN, REED of Missouri, SHEPPARD, SWANSON, and WILLIS, voting then for a 50 per cent maximum.

Ah, but it will be said, "We needed the money then and we do not need it now. We were still in the aftermath of the war then," it will be said, "but we are not so now." What difference was there, so far as the principle is involved, between the situation as to the war in 1921 and the situation to-day? There was just this difference in the situation: Then we owed $25,000,000,000 of indebtedness incurred to carry on the war, and now we only owe $20,000,000,000 of indebtedness. Is there any difference?

Mr. WADSWORTH. Surely there must be some other differences. The appropriations have decreased tremendously since 1921 other than the appropriations for the payment of war indebtedness.

Mr. LENROOT. I am speaking of the situation so far as the war was concerned.

Mr. WADSWORTH. I thought the Senator said there was no difference between conditions in 1921 and conditions to-day.

Mr. LENROOT. Oh, no. That referred to all departments of the Government. But so far as the war situation was concerned, in 1921 we owed $25,000,000,000 growing out of the war, while to-day we owe $20,000,000,000, most of it growing out of the war. Mr. President, who is there that can say that the emergency has ceased? Who is there that would say that we should make the buyer of a Ford automobile help to pay this $20,000,000,000 of indebtedness; that we should make the man with an earned income of $5,000 a year help to pay this $20,000,000,000 of indebtedness; but we must not ask an estate of $10,000,000 to pay one single penny of that $20,000,000,000 of war indebtedness on the transfer of that estate? That is just what is involved in this question.

Mr. President, I know it will be said by some that those of us who favor this proposition have some prejudice or animosity against great fortunes, and we can not help their saying that; but to my mind the proposal which we advocate is based upon just one principle, one which I think should govern the levy of all taxes; it is based upon ability to pay. I have yet to hear the man who will say that an estate having an exemption of $50,000—a gross estate, we will say, of $100,000—should not pay the modest sum of $500 on the transfer of that estate. That is all of the tax which is imposed in this proposed law.

On whom is it a hardship? Who has earned the money? The Senator from Connecticut [Mr. MCLEAN] this morning sought to challenge the statement of the Senator from Nebraska [Mr. NORRIS] that all recognized economists of reputation were in favor of the Federal estate tax, and he read from Professor Seligman in a book written a few years ago—in 1914, I believe—and yet Professor Seligman appeared before the Committee on Ways and Means on this very bill and strenuously opposed and now opposes the repeal of the estate tax. I read from page 480 of the hearings. Professor Seligman said:

> My argument is that from the point of view of what is needed it would be hazardous entirely to abandon the estate tax because, although we do not get much out of it—only $110,000,000—we might get a great deal more, as other countries do. Moreover, in proportion as you get something out of our Federal inheritance tax you can reduce the income tax and the other taxes. You have to take the system as a whole. It is always a bad thing to keep all your eggs in one basket. That is as true of the Federal Government as of private industries.

Then there is another noted economist——

Mr. MCLEAN. Mr. President, will the Senator from Wisconsin permit an interruption there?

Mr. LENROOT. Certainly.

Mr. MCLEAN. I was appealing from Professor Seligman before the Ways and Means Committee to Professor Seligman in his study.

Mr. LENROOT. Yes; and I appeal from Professor Seligman in his youthful days, when he had made a very incomplete study of this subject, to his attitude to-day, when, since the time when the Senator from Connecticut quoted him, he has given 12 more years to the study of this important subject.

Mr. MCLEAN. Professor Seligman was mature in 1914, and I think his judgment then was superior to his judgment in 1926.

Mr. LENROOT. The Senator from Connecticut and I wholly disagree upon that, of course.

Mr. MCLEAN. Yes; we disagree.

Mr. NORRIS. But if the Senator from Wisconsin will permit an interruption, certainly the Senator from Connecticut can not draw that conclusion without casting reflection on his own judgment, if he is going to say that Professor Seligman now is not entitled to credit.

Mr. MCLEAN. My opinion in 1914 was precisely what it is now. When I once get right I do not change.

Mr. NORRIS. The Senator ought in 14 years to be able to keep pace with Professor Seligman and learn something.

Mr. MCLEAN. I do not keep pace with men who are inconsistent and who go wrong.

Mr. NORRIS. The Senator from Connecticut is consistently inconsistent. [Laughter.]

Mr. LENROOT. Mr. President, there is another noted economist who is very well known to Members of this body, who for many years was the adviser and expert of the Finance Committee of the Senate. I refer to Professor Adams, who is now a professor of economics at Harvard University. I think, without any question, unless it be Professor Seligman, that Doctor Adams is the most noted authority upon taxes in the United States. I should like to quote what Doctor Adams said before the Ways and Means Committee with reference to this question. He was asked this question by Mr. OLDFIELD:

Doctor, I would like to ask you a question: We have had a great deal of evidence here on both sides of the question of continuing the inheritance tax, and I would like to have your views on that. I believe you are a member of the Delano committee.

Senators will remember that the Delano committee, representing the National Inheritance Association, made a report which was filed with the committee wherein it did not advocate the repeal of the estate tax at present, but did advocate its repeal to take effect six years hence. Doctor Adams said in answer to the question asked by the member of the committee:

No, sir; I am not.

That is, he was not a member of the Delano committee—

There you ask me an embarrassing question, because most of my friends and most of the men I like and trust have indorsed that Delano report. I indorse it, I think, with the exception of one provision, and that is that you should repeal the tax now to take effect six years later. I should like to see the substance of the Delano report adopted without a provision for repeal, and then wait and see what happens. So far as I know it, the position of Judge HULL—

One of the members of the committee of the House—

on this subject is precisely my own position. I think that we ought to get from death dues in this country more than we get at present. I think that we should raise from this source enough revenue to measurably relieve the farmers and the general taxpayers.

Here, to my mind, is the hub to this question: The average State inheritance tax imposes upon direct heirs or upon direct shares of the larger size a maximum rate which, in the average State, is considerably less than 5 per cent. In short, the average State government imposes upon the shares of larger size going to direct heirs a tax of less than 5 per cent. In my opinion that is not enough.

Then Doctor Adams goes on and advocates the retention of the Federal tax and giving the States credit for the State taxes paid.

Mr. President, I have occupied a longer time than I intended. I am in favor of the House provision. I recognize the inequality of the present system, whereby we may have a Federal tax and two or three State inheritance taxes which, combined, may impose an unjust burden upon an estate; but with the House provision giving a credit of 80 per cent of the amount of the Federal tax, we have reduced almost wholly that inequality, and incidentally—not as a primary purpose but incidentally—we have removed the incentive of one State to repeal in toto its inheritance taxes for the purpose of attracting wealthy residents from other States to give up their residence and move to such State as does not impose such taxes. All that I want, all that I ask, is that estates pay a fair tax somewhere. If the States do not care to exercise their power, then I want the Federal Government to get the revenue. We can use it.

Does any Senator say that we can not beneficially make a further reduction of $20,000,000 in the taxes imposed by the pending bill? No Senator will say that; and we will get much more than $20,000,000 a year out of this tax that could be used to reduce other taxes, because, if Senators are correct, many of the States will not take advantage of the provision allowing them the full 80 per cent credit, and in so far as they do not do so the Federal Government will get the increased revenue. The House provision I undertake to say, Mr. President, is fair; it is just; it ought to be adopted, and the Senate committee amendment ought to be rejected.

Mr. SIMMONS. Mr. President, I really had not expected to have anything more to say than I have said during the day in colloquies which I have had with Senators in their time, but the very remarkable argument which has fallen from the lips of the Senator from Wisconsin [Mr. LENROOT] rather tempts me to make some further observations upon this subject.

I want to go back a bit. It is questioned whether the Federal Government should resort to this form of taxation as a permanent system or only to meet emergency situations. It is even questioned whether, when the Government has heretofore resorted to it, it did so to meet an emergency or not. The Senator from Florida traced the history of this species of taxation very thoroughly and presented that phase of the subject fully. I do not want to review that, but the Senator from Wisconsin claims that when we resorted to this method of taxation in 1916 we resorted to it, not because there was an emergency, but because we wanted to engraft it on our system of taxation as a permanent policy. I stated in reporting the tax bill of 1917 as chairman of the Committee on Finance that inheritance taxation was a revenue source that ought to be left to the States and commented on the inheritance tax as being an emergency expedient.

It is true that in 1916 this country was not at war; it may be that there was no direct threat against this country on the part of any of the belligerents then in the World War, but it is also true, as I pointed out this morning, that in 1916, owing to the conditions of the struggle then going on in Europe, this country felt that it might at any time become involved.

We had been furnishing munitions of war to the Allies. Germany deeply resented that action on our part. The Imperial German Government practically demanded that this Government should cease to permit that and assumed a threatening attitude toward us. From one end of America to the other there grew up a feeling, entirely justified by the conditions, that the dictates of ordinary discretion, prudence, and foresight required that this Government should put itself in a condition of preparedness.

There was no dissent from that proposition so far as I know. It is true, as the Senator from Wisconsin says, that President Wilson was doing all that he could to keep us out of the war. He did keep us out as long as he could; but President Wilson, as well as the great mass of the American people, felt that we should adopt measures to put ourselves in condition to fight if it became necessary to fight. They felt that it was necessary that we should put ourselves in that condition in order to avoid having to fight. It was the fundamental theory of the great Roosevelt, when he began his campaign against unpreparedness, that the way to preserve peace in the world, the way to protect ourselves against aggression on the part of other nations, was always to be ready and prepared to defend ourselves.

If that is true—and I think it is true—even in ordinary conditions, I think until we have disarmed and abandoned the old practices that have so often led to war ordinary wisdom requires that a country should always be in readiness to defend itself; but in the conditions that confronted us then there could be no question about the wisdom of that course. It was recognized in 1916. I was then chairman of the Committee on Finance. It was recognized that if we did do this thing which prudence required and suggested that we should do it would be necessary to incur enormous expenditures, and that it was necessary, therefore, to resort to war taxes, as the Senator from Maryland [Mr. BRUCE] has said, for the purpose of raising the necessary revenue; and that is the reason why in that particular act this additional tax, this inheritance tax which was imposed, was specifically designated as a war tax.

Were we justified in imposing the tax? Did the actual conditions of expenditure show that it was necessary? At that time, in 1916, we were expending hardly a billion dollars annually to meet our ordinary expenditures. I believe the amount was just a little over a billion dollars. In the next year, however, the year for which the levy was made, 1917—it was proposed in 1916, but to meet the expenditures of the fiscal year 1917—in the year 1917, as the result of the condition of affairs to which I have referred, the expenditures of this Government increased from a little over a billion dollars to nearly two and a half billion dollars. The Senator is wrong when he said we did not resort to this tax then, as in every other time when we have ever imposed it, because of an emergency—a very pressing emergency it was, too.

Theretofore, when we had imposed this tax upon the people, as soon as the pressure was removed we had always repealed it. In the eighteenth century we did it once, and we did it three or four times in the nineteenth century, and we did not wait long to do it after the wars closed. These facts establish the proposition that it is the policy of this Government to levy an inheritance tax only in cases of great emergency, and the emergencies in which we have levied it have been connected with war.

The Senator says that we ought not to repeal this tax because he says we need it to supplement the revenues of the Government. Why, Mr. President, we had a surplus last year of $330,000,000. We have a surplus this year of three hundred and thirty-odd millions of dollars, and next year I imagine we will have another surplus of two or three hundred million dollars. Why did the House shape the bill as they did, if the House thought we needed this source of revenue? Does not the bill prepared by the House, and which the Senator himself is cham-

pioning on this floor with such vigor and vehemence, upon its very face contain a confession that it was the opinion of the Ways and Means Committee that the Government did not need revenue from this source?

Mr. President, the bill proposes to give the States 80 per cent of this tax. That is a confession that the Government does not need that part of the tax; is it not? It retains only 20 per cent of the amount, if the States see fit to take advantage of it—20 per cent. The maximum rate is 20 per cent. The part which the Government retains is 4 per cent. The actuaries of the Treasury will tell you that it costs the Government about 2 per cent to collect that tax. That cuts it down to 2 per cent. Two per cent of the amount involved is $10,000,000; so that if this bill works as it is predicted it will work, and as it is intended it shall work, all the revenue that the Government proposes to get out of it is $10,000,000.

The Senator asks, "Why not repeal these other taxes, the taxes on automobiles and trucks?" I am in favor of doing that, Mr. President. I think we can repeal the entire tax upon automobiles and trucks, and practically every one of the excise taxes and still have enough money to run the Government without resorting to inheritance taxes; and, Mr. President, we can go farther than that. We could have rejected, as we should have done, the increases proposed by the majority members of the committee and adopted by the Senate against the protest of this side of the Chamber. We could have rejected that increase of 1 per cent upon corporations and still have had money enough to run the Government without resorting to this tax, without this pitiable little $10,000,000 of tax that the Government will get from inheritances. The minority voted for all those reductions, and the minority is ready to vote for all of them again, and is not afraid of doing it, either.

The Senator from Wisconsin says that although the Government will get only $10,000,000 out of this levy for the purpose of coercing the States of this Union to levy an inheritance tax as high as 80 per cent of the rate as the Federal Government levies we ought to agree to this provision of the bill. What right has this Government, under the Constitution, under the decisions of the Supreme Court, under the general policies that obtain here, to levy any tax upon the people of the United States except to raise revenue to defray the expenses of the Federal Government? What provision of law authorizes the United States Government to levy a tax for the benefit of the States? Where does the Federal Government get its authority, not only to levy taxes which the people of the States shall pay into their own treasuries, but also to go into the States with an army of Government officials and collect the taxes? What provision of law makes the Federal Government a tax collector for the States of this Union?

Have we come to the point where we have no respect for the rights of the States? Have we come to the point where the Federal Government shall assume to decide what inheritance taxes the States shall impose? When did the great State which I in part represent abrogate its rights to determine what taxes it should impose upon its citizenship for its own expenses and purposes?

It is said the Federal Government is justified in doing this, because one State of this Union having exceptional advantages in certain directions, advantages which no other State in the Union possesses, had a little boom just after it repealed its inheritance tax. It is said that this fact constitutes a reason why the Federal Government should tread under foot the rights of the States and assume the office of going into the States and determining not only their taxes but also undertaking to collect their taxes. That is the excuse given for it, the only excuse and the only warrant for it. I say it is a high-handed procedure.

Suppose you succeed in perpetrating this outrage upon the sovereignty of the great States of the Union? Are you going to stop? They might survive this blow. But is it the last blow you are to deliver? Suppose you determine that you will apply the same principle to the income taxes. Many of the States are now operating mainly upon inheritance and income taxes. Suppose you decide to apply that principle to the income taxes and pass a law here giving the States a part of your heavy levy. You increase your levy on income taxes, increase it to such a point as to give the States half of it, or two-thirds of it, or three-fourths of it, or four-fifths of it, the proportion provided in this bill. You say to the States, "Now, you raise your income taxes up to that point. It is a good thing to have uniformity of income taxes in this country," just as it is said now it is a good thing to have uniformity in inheritance taxes. Some States, like Florida, do not levy them at all. Some States, like Georgia, levy a very trifling tax. Some States, like Virginia, levy inconsequential taxes. New York levies $17,000,000 of taxes on inheritances; the great State of Pennsylvania, I think, something over twenty million in inheritance taxes. Things are unequal. It is said, "The public welfare requires that this thing should be made uniform, and therefore we will resort to this same scheme with reference to income taxes." And it is applied.

They do not stop there. We have recently developed a magnificent system of interstate highways, stretching from Maine to Florida, from San Francisco to Washington City. These have become the main arteries of highway travel. They are filled with automobiles going to and fro all during the year, and at certain seasons of the year there is great congestion. As the automobiles pass from one State to another the owners have to pay a different rate of gasoline tax. Some States have a high tax, some have a low tax, some have no tax at all. Gasoline is a subject that the Federal Government might constitutionally resort to for income. Let us assume it levies, therefore, a high tax upon gasoline and provides that the State shall have a half of that or two-thirds of it, with a view of forcing all the States of the Union to equalize to uniformity their levies upon gasoline.

So you might go on down the line. What will be the result? The result will be that every State in this Union will be seething with Federal officials levying and collecting taxes from the citizens of the States for State benefit. The result will be that the power and the right of the States to impose taxes according to their judgment and according to the conditions which exist in their respective jurisdictions will be wiped out, and the will of the Federal Government with reference to State-imposed taxes shall be substituted for the will of the States.

Is there a more insidious way of attacking State sovereignty and State political autonomy than that? Is there a more insidious way that the mind and ingenuity of man can invent of centralizing all power in the Federal Government here at Washington?

No, Mr. President; I might conceivably vote for a reasonable inheritance tax, but I will never vote for an inheritance tax four-fifths of which is to go to the States. We had such a provision going to 25 per cent in the other act. I want to say that it got in that act without my knowledge. I did not discover it until too late. It was a wrong principle. It ought to have been attacked and fought before. But it can be seen how these invasions grow and expand. From 25 per cent it has gone up to 80 per cent under the present proposal.

The Senator from Wisconsin in the whole of his long-drawn-out discourse made only this argument: "If you do not do this, there will be more Floridas in this country. The States will just fall pell-mell over each other repealing their inheritance taxes in order to induce capital to come to them instead of going elsewhere."

Mr. President, this talk about the elimination of inheritance taxes in Florida, and the abolishing of the income taxes in Florida, being responsible for the great movement that has taken place in that splendid State during the last 18 months or 2 years, is all fiction. A few people may have gone there in part for that reason, but the Florida movement is a movement that started away back in the days of Flagler. He started it. God had laid the foundation. Flagler's work has been supplemented by the construction of good roads from one end of the country to the other, focusing in Florida. Flagler, good roads, and natural advantages have made Florida. Flagler and good roads give full value and full credit to the magnificent winter climate of that fine old State. It was that, and not because of the repeal of moderate income taxes and inheriance taxes. Florida was not imposing any, anyhow, prior thereto.

That it was not the repealing of the tax laws is shown by the illustration which I gave this morning. In the mountains of North Carolina there is a combination of climate and of natural beauty that for years has attracted people from all sections of the United States. There is now, and has been for years, a heavy flow of people to that section from every quarter of the United States. But when we finished our system of splendid highways in North Carolina, connecting that section of the country with all the surrounding States by magnificent, hard-surfaced, concrete roads, the movement gained impetus, and this year it has assumed the proportions of a boom, which, in the rise and pyramiding and repyramiding of the values of property in that section, compares very favorably with what has happened in Florida. Indeed, I have heard it said that the development of this kind around the town of Hendersonville has even out-Floridaed Florida. Anyhow, it is something that is very remarkable, and it is spreading all over that section of the country.

Why is that happening? Florida capitalized her climate and made access to the State easy and pleasant. The people of North Carolina have capitalized the summer climate of the mountains of western North Carolina and made access to them easy and attractive. The same thing that has happened in Florida has happened in parts of North Carolina, notwithstanding the fact, as I pointed out this morning and emphasize now, that in North Carolina we have not only a high income tax, but we have a high inheritance tax, and we raise all the money that is necessary to support and pay the expenses of that great State only and solely through income, inheritance, and license taxes.

The people who added impetus to that development in my State last year are people who came principally from Florida. The mountains were literally filled with people from Florida. The rich people who went down there for the winter climate came up to my State for the summer climate.

There is nothing in the Senator's contention. The Senator says we will abandon this tax if the Federal Government takes its hands off. I submit it is reasonable for me to answer that by saying if there ever was a time that would naturally appeal to the people of the several States to abandon their inheritance taxes it was the time when the Federal Government was piling up mountain high these very taxes. That is the time when the people of the States would have refrained. That is the time, if ever, when they would have repealed these taxes where any were imposed by them. But, contemporaneously with this enormous levy by the Federal Government, the States have gone on from year to year increasing their inheritance taxes, and I want to give an illustration of how they have gone forward during the period from 1916, when the Federal inheritance tax was adopted.

At that time the States were only collecting in the aggregate $29,000,000 from inheritance taxes. In 1917 they collected $38,916,000; in 1918, $37,078,000; in 1919, $45,770,000; in 1922, $66,128,000; in 1923, $74,895,000; in 1924, $79,308,000. These taxes were levied by a graduated upward scale during the period of time when the Federal Government had a heavy hand on the States. To-day the Federal Government is collecting through its inheritance taxes $110,000,000 and the States, which the Senator from Wisconsin thinks will not respond by increasing their taxes or even by allowing them to stay on the statute books if the Federal law is repealed, are collecting practically $80,000,000, or within $30,000,000 of as much as the Federal Government is imposing. Is it not remarkable that a man with the acute understanding of the Senator from Wisconsin should make the argument in this extremity that if the Federal Government takes off this burden the States will at once wipe out their inheritance taxes, because, forsooth, Florida has had a boom?

Suppose the State of the Senator from Wisconsin had undertaken to draw tourists from all parts of the country and get up a resort boom in that State, with the climatic conditions they have in that State, does anyone think a repeal of the inheritance tax in that State would have counted a farthing in promoting the movement? Certainly not.

The Senator thinks the States are in no humor to impose an adequate inheritance tax. Let us see. The State of the Senator from Wisconsin paid the Federal Government in 1924 $1,764,000, and in 1925 paid $1,125,000. In 1924 Wisconsin paid the Federal Government $1,764,000, but notwithstanding that, the people of the State which the Senator in part represents imposed an inheritance tax that yielded $2,894,000 to the State, twice the amount of the Federal tax; and yet the Senator is the man who stands here and says that the other States of the Union will wipe out their inheritance taxes if the Federal inheritance tax is repealed in order to put themselves upon a parity with Florida.

No, Mr. President, there is nothing in that argument. A few States may get frightened because they see a great influx of people to Florida and think it is due to the repeal of the State constitutional provision against inheritance and income taxes, but it will only be a day's dream. The idea is already being exploded. The idea will soon be totally exploded and abandoned. Does the Senator mean to tell the Senate that the 34 governors who came here to appear before the Ways and Means Committee in behalf of the repeal of this tax, fully aware, as they were, that their States had imposed heavy inheritance taxes during the war when the Federal Government was also heavily taxing, that they came here for the purpose of getting this tax removed so they might escape the State inheritance tax in their States and put themselves upon a footing with Florida? Does he mean to say that to an intelligent Senate and expect such a statement to be credited?

It is true that he read some extracts from one or two governors here whose States did impose such a small inheritance tax that it is manifest that the disposition to tax inheritances as a source of revenue has not taken hold in those States as it has in other States.

What does this table show with reference to the $80,000,000 inheritance taxes paid in the several States? Forty-eight States, $80,000,000, an average of nearly $2,000,000 to the State. If they impose that heavy tax while the heavy Federal tax existed, can there be any question about their increasing those taxes after the repeal of the Federal tax? There was a time when the States resorted but to a small extent to this tax. In one year, far back about the beginning of this century, they were collecting only a few millions of dollars in all of the States from this source of taxation. That was because the expenses of the administration of the affairs of the States at that time were a mere bagatelle compared to what they are to-day. We were in pre-war times. We did not require much revenue. From time immemorial the States had been getting their income from property taxes, and they continued for a while, but suddenly they wakened to this means as a proper source. When the war came that spirit was quickened and they went on increasing the taxes as the necessity increased. Now, the Federal Government is about to abandon this system of taxation. In effect, the Federal Government comes in and says in practical effect, "We will surrender all of this tax except $10,000,000 to the States." The Federal Government says, "We no longer need it. The emergency which called it forth has passed. The war is over. We have ample revenue from less legally doubtful sources of Federal levy to conduct the Government. We are annually confronted with surpluses. We do not need those millions of inheritance taxes. The States need them, and we are ready practically to turn them over to the States, reserving to ourselves only enough to pay the legitimate expenses of collection."

The Federal Government is abandoning it because the emergency has passed away, but, as I said this morning, that emergency has gradually passed away, so far as the Federal Government is concerned, and an emergency equal in proportion and in effect has come upon the States of the Union, growing not out of things of their own volition, but growing out of a revolution that has come about in the United States due to change in conditions and due to great and beneficial inventions. We got along at one time, as I said this morning, with the old dirt road. The automobile came. A new invention, one of the greatest in its beneficial effect upon humanity and upon business and commerce that has ever been discovered by man, came along and revolutionized the situation from one end of the country to the other.

The States at once thought it was necessary for them to get out of the old ways and discard the mud roads and build these magnificent concrete roads that we now have, costing from $30,000 to $40,000 a mile. Then they have entered upon that program with a spirit worthy of the advanced position of the American people, and in a few years they have accomplished marvels. They are still in the work of girding this country from one end to the other with magnificent hard-surfaced roads in order to meet the demands of commerce and travel and transportation.

Mr. President, the States have had to build, the counties have had to build, the cities and towns have had to pave, and the burden of expense that has been thrown upon the property of the taxpayer, whether it be real or personal property, has been enormous and therefore the States have been casting about to find some means of supplementing their revenues in the interest of their heavily burdened taxpayers. If the $10,000,000 in taxes be collected or if we impose a flat tax that would raise $110,000,000 without any contribution to the State, it would give scarcely any benefit in the reduction of taxes. It would not benefit the 100,000,000 people who pay directly practically no taxes to the Federal Government under the internal revenue system. It will not benefit them. It will not help reduce their ad valorem burden of taxation.

But suppose we transfer this source of taxation to the States and make it possible for the States to increase their levies, to double them—I believe in less than five years we will find that the amount collected by the States will be double what it is now—who would get the benefit of that? It will go right straight down the line. It will reach and reduce the taxes on every acre of land, the tax on the humblest residence, the tax on the merchant who is struggling to make a living out of his business and support his wife and children, the tax upon the laboring man, upon the farmer, and upon all the 100,000,000 of people. Just to the extent that the States get their revenue out of the inheritance tax, just to that extent will the ad valorem tax upon the property of these 100,000,000 taxpayers be reduced.

Mr. NORRIS obtained the floor.

Mr. HEFLIN. Will the Senator yield?

Mr. NORRIS. I yield to the Senator from Alabama.

Mr. HEFLIN. I wondered if the unanimous-consent request could not be submitted now so that Senators may know just what is going to happen.

Mr. NORRIS. I have no objection.

Mr. SMOOT. Will the Senator yield to me?

Mr. NORRIS. I yield to the Senator from Utah.

Mr. SMOOT. I send to the desk a proposed unanimous-consent agreement.

The VICE PRESIDENT. The clerk will read it.

The Chief Clerk read as follows:

It is agreed, by unanimous consent, that on the calendar day of Wednesday, February 10, 1926, at 4 o'clock p. m., the Senate will proceed to vote, without further debate, upon Title III—Estate tax and all amendments thereto.

The VICE PRESIDENT. Is there objection?

Mr. BLEASE. I object.

The VICE PRESIDENT. The Senator from South Carolina objects.

Mr. WATSON. I trust the Senator from South Carolina will not object.

Mr. BLEASE. Yes, sir; I object. We had enough of that yesterday. I do not want to get caught any more. One time is enough for me.

Mr. WATSON. The situation is this, I will say to the Senator: The members of the committee who have the bill in charge on both sides, including the Senator from North Carolina [Mr. SIMMONS], the ranking Democratic member of the committee, and the other Democratic members of the committee, together with the Republican members of the committee, all have agreed that this vote shall be taken at 4 o'clock to-morrow.

The Senator from Nebraska [Mr. NORRIS] is a party to that agreement, as is the Senator from Michigan [Mr. COUZENS]. Everybody has agreed to it, and I trust that in the interest of progress and orderly procedure my friend from South Carolina will withdraw his objection; otherwise, I will say to the Senator, we will be compelled to go on here to-night and remain in session for several hours longer, when there is really no occasion for it, and when we can all get away and have a good night's rest and come back to-morrow refreshed.

Mr. KING. Mr. President, will the Senator yield?

Mr. WATSON. Yes.

Mr. NORRIS. I yield to the Senator from Utah.

Mr. WATSON. I beg the pardon of the Senator from Nebraska; I overlooked the fact for the moment that he has the floor.

Mr. KING. I was about to join in the appeal which was made by the Senator from Indiana.

Mr. JONES of Washington. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Washington?

Mr. NORRIS. I yield.

Mr. JONES of Washington. While this matter is being adjusted, I merely wish to ask unanimous consent that I may have inserted in the RECORD chapter 119 of the Session Laws of the State of Washington, 1923, which I think justifies me in voting for the committee amendment. It shows that our inheritance tax in that State goes up as high as 40 per cent. I ask that the chapter referred to may be inserted in the RECORD, and then I shall take no more time on the amendment.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

[Session Laws of Washington, 1923]

CHAPTER 119

INHERITANCE TAX

An act (S. B. 164) relating to taxation of inheritances and amending section 11202 of Remington's Compiled Statutes

Be it enacted by the Legislature of the State of Washington:

SECTION 1. That section 11202 of Remington's Compiled Statutes be amended to read as follows:

"SEC. 11202. The inheritance tax shall be imposed on all estates subject to the operation of this and other inheritance tax acts of the State of Washington at the following rates:

"If passing to or for the use of a father, mother, husband, wife, lineal descendant, adopted child, or lineal descendant of an adopted child the tax shall be 1 per cent of any value not exceeding $50,000; 2 per cent of any value in excess of $50,000 and not exceeding $100,000; 3 per cent of any value in excess of $100,000 and not exceeding $150,000; 4 per cent of any value in excess of $150,000 and not exceeding $200,000; 5 per cent of any value in excess of $200,000 and not exceeding $300,000; 7 per cent of any value in excess of $300,000 and not exceeding $500,000; 10 per cent of any value exceeding $500,000: *Provided, however*, That in the above cases $10,000 of the net value of any estate shall be exempt from such duty or tax.

"If passing to or for the use of a sister, brother, uncle, aunt, nephew, or niece the tax shall be 5 per cent of any value not exceeding $50,000; 6 per cent of any value in excess of $50,000 and not exceeding $100,000; 8 per cent of any value in excess of $100,000 and not exceeding $150,000; 10 per cent of any value in excess of $150,000 and not exceeding $200,000; 12 per cent of any value in excess of $200,000 and not exceeding $300,000; 15 per cent of any value in excess of $300,000 and not exceeding $500,000; 20 per cent of any value in excess of $500,000.

"If passing to or for the use of collateral heirs beyond the third degree of relationship or to strangers to the blood, the tax shall be 10 per cent of any value not exceeding $50,000; 12 per cent of any value in excess of $50,000 and not exceeding $100,000; 15 per cent of any value in excess of $100,000 and not exceeding $150,000; 20 per cent of any value in excess of $150,000 and not exceeding $200,000; 25 per cent of any value in excess of $200,000 and not exceeding $300,000; 30 per cent of any value in excess of $300,000 and not exceeding $500,000; 40 per cent of any value in excess of $500,000.

"Passed the senate February 13, 1923.

"Passed the house March 2, 1923.

"Approved by the governor March 15, 1923."

Mr. SMOOT. Mr. President——

Mr. NORRIS. I yield to the Senator from Utah.

Mr. SMOOT. Mr. President, I ask again that the unanimous-consent agreement which I proposed a few minutes ago be entered into. I hope there will be no objection to the request this time.

The VICE PRESIDENT. Is there objection?

Mr. SMOOT. I will say to the Senator from South Carolina [Mr. BLEASE] that I am renewing my request for unanimous consent. Does the Senator insist upon his objection to it?

Mr. BLEASE. I will agree to it, so far as I am concerned, with an understanding. I do not want to make a speech, and do not expect to do so, but I do not like the way some Senators were treated here yesterday. I believe in a fair deal for everybody, it does not make any difference who he is. If he be the blackest nigger in the world, give him a fair deal. I will withdraw my objection with the understanding that if the Senator from Nebraska [Mr. NORRIS] wants an hour to speak on this subject between 2 and 4 o'clock to-morrow he may be allowed to do so.

Mr. SMOOT. Certainly.

Mr. SIMMONS. We will agree to that.

Mr. NORRIS. Let me say to the Senator from South Carolina that at the time the proposition was submitted I had the floor, and I suppose should we take a recess now when we convene I would still have the floor.

Mr. SMOOT. That is the understanding.

Mr. NORRIS. I do not want, however, to have any misunderstanding. I do not think I shall speak for more than an hour, but I may. I do not want to keep any other Senator from speaking. I, myself, would not agree to this proposition if I thought that any Senator would be prevented from speaking who wants to speak. I should like to make rather an extended speech on this question.

Mr. HEFLIN. The Senator will have five hours, from 11 to 4 o'clock to-morrow.

Mr. NORRIS. I have made all the inquiry I can, and I do not think there will be any doubt whatever but that there will be time for everybody; I would not consent to the agreement under any other circumstances; but if the agreement is entered into now I will say to my friend from South Carolina that, from the parliamentary standpoint, I have the floor and will have the floor when we convene again.

Mr. KING. And the Senator can talk as long as he desires.

Mr. BLEASE. With that understanding, I do not object. As I have said, I do not want to make a speech on the question; I do not expect to do so; but for the five years I have left here I do not expect to submit to any unanimous-consent agreement that will subject any Senator on this floor to the treatment that the Senator from Michigan [Mr. COUZENS] received on yesterday.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the unanimous-consent agreement is entered into.

RECESS

Mr. SMOOT. I move that the Senate take a recess until 11 o'clock to-morrow.

The motion was agreed to; and (at 6 o'clock and 20 minutes p. m.) the Senate took a recess until to-morrow, Wednesday, February 10, 1926, at 11 o'clock a. m.